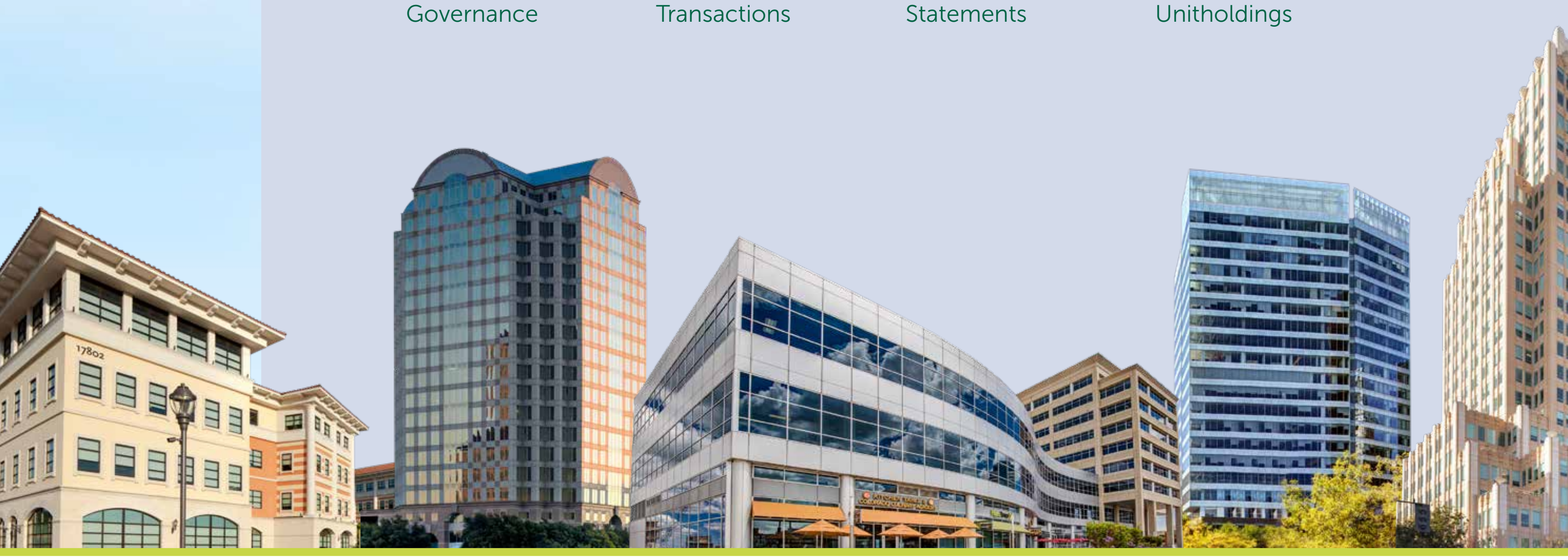
PRIME US REIT

ANNUAL REPORT 2020

PROVEN **RESILIENCE** POSITIONED FOR **GROWTH**

CONTENTS



ABOUT PRIME US REIT

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

ABOUT THE SPONSOR

KBS Asia Partners Pte. Ltd. ("KAP") is the Sponsor of PRIME. The shareholders of KAP include a founding member of KBS, one of the largest owners of premier commercial real estate in the U.S. with US$7.8 billion of assets under management as at 31 December 2020. As a private equity real estate company and an SEC-registered investment adviser, KBS and its affiliated companies have completed more than US$42 billion of transactional volume on behalf of private and institutional investors globally since inception in 1992.

ABOUT THE MANAGER

PRIME is managed by KBS US Prime Property Management Pte. Ltd. which is jointly owned by KBS Asia Partners Pte. Ltd., Keppel Capital Two Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Management Pte. Ltd., Times Properties Private Limited, a wholly-owned subsidiary of 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 will set the strategic direction and provide investment, asset management, capital management, internal audit, human resource, information technology, accounting, compliance and investor relations services to PRIME.

SIGNIFICANT EVENTS

2020

12 FEBRUARY

Maiden Acquisition of Park Tower at US$165.5 million and **Debut Equity Private Placement**, Raised US$120.0 million

21 FEBRUARY

Extension Option on 4-year Term Loan

30 MARCH

Announced Adoption of **Semi-Annual Reporting**

28 APRIL

Announced **1Q 2020** Key Business and Operational Updates

30 APRIL

Restructured Interest Rates Swap Facilities

17 JUNE

Convened Virtual Annual General Meeting

22 JUNE

Initiation of Research Coverage at "Outperform" Rating by Credit Suisse

20 JULY

Initiation of Research Coverage at "Buy" Rating by Phillip Capital

6 AUGUST

Announced **1H 2020** Financial Results, DPU US 3.52 cents Outperformed IPO Forecast

14 OCTOBER

Debuted in **Joint 10th** Rank in Governance Index for Trusts ("GIFT")

5 NOVEMBER

Announced **3Q 2020** Key Business and Operational Updates

3 DECEMBER

Initiation of Research Coverage at "Buy" Rating by RHB

2021

17 FEBRUARY

Announced **2H 2020** Financial Results, DPU US 3.42 cents for 2H 2020 and US 6.94 cents for FY 2020 Outperformed IPO Forecast. Leased 225,222 sq ft in FY 2020 at a Positive Rental Reversion of 7.2%

FINANCIAL HIGHLIGHTS

AS AT 31 DECEMBER 2020

Gross Revenue

US$143.6M

+6.6% IPO Forecast (1)

Distributable Income

US$72.1M

+15.6% IPO Forecast (1)

Net Property Income

US$95.0M

+7.7% IPO Forecast (1)

FY 2020 DPU

6.94US cents

+3.6% IPO Forecast (1)

Total Loans & Borrowings

US$480.4M (2)

Total Assets

US$1.447B

Gearing Ratio

33.5%

Weighted Average Debt Maturity

4.1/4.6years (3)

Weighted Average Interest Rate

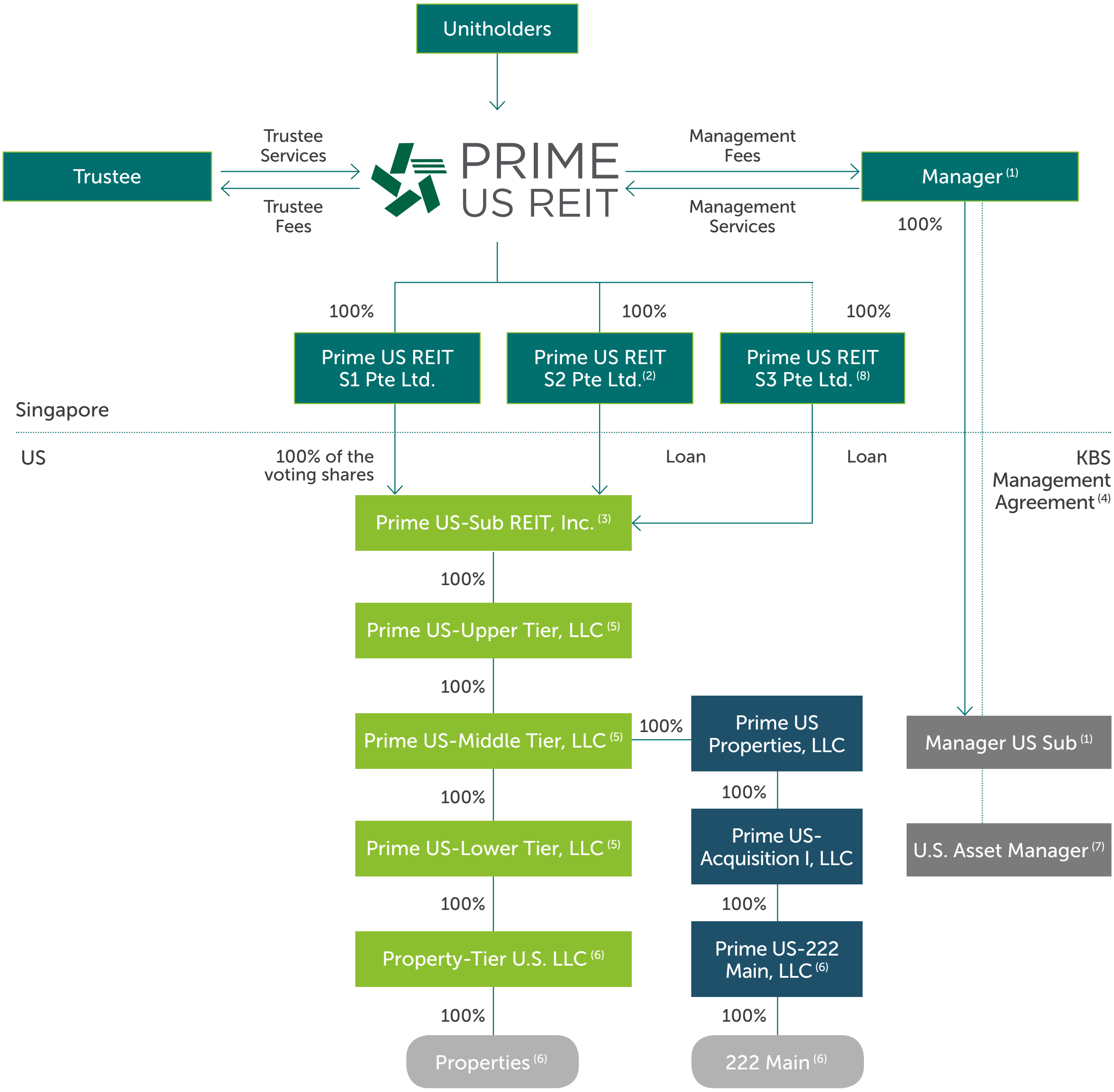
3.21% (4)

Interest Coverage

5.8x

(1) Forecast for Projection Year 2020's financials as disclosed in the Prospectus.
(2) Net of unamortized upfront borrowings costs of US$4.2M.
(3) Fully extended debt maturity. Extension options are available to the borrower to extend the 4-year term loan and revolving credit facility maturities to 2024.
(4) Including amortisation of upfront debt related transaction costs and commitment fees on loans and borrowings from 1 January to 31 December 2020 taking into account the interest rate swaps.

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 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 Property will be held by an individual Property-Tier U.S. LLC, except that 222 Main will be held by Prime US-222 Main, LLC.
(7) 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. The estate of Peter M. Bren (together with other family members) indirectly owns 50.0% of the interests in KBS RA while Charles J. Schreiber Jr. (together with other family members) indirectly controls the remaining 50.0% of the interests in KBS RA. Notwithstanding the foregoing, Charles J. Schreiber Jr. controls the voting rights with respect to the interests in KBS RA held indirectly by the estate of Peter M. Bren.
(8) PRIME 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.

CHAIRMAN & 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 2020 to 31 December 2020 ("**FY 2020**").

FY 2020 proved to be a challenging year for global markets amidst COVID-19 pandemic. Businesses and individuals had to adapt to the requirements of practising social distancing and working from home to combat the spread of the virus. PRIME remained resilient in these unprecedented times and approached the crisis with agility and strength.

CONSISTENCY, COMPOSURE AND VALUE IN UNCERTAINTY

We are pleased to have delivered strong performance in FY 2020 as we continued to exceed IPO forecasts for the second year. Our full-year gross revenue and net property income ("**NPI**") of US$143.6 million and US$95.0 million respectively, outperformed projections by 6.6% and 7.7%. Distribution per unit ("**DPU**") for FY 2020 also exceeded forecast by 3.6% at US 6.94 cents, resulting in a DPU yield of 8.8% [(1)].

Through our disciplined approach to capital management, PRIME maintained a strong balance sheet with gearing of 33.5% as at 31 December 2020, US$90.4 million of undrawn bank lines, access to additional capital sources, and debt headroom of US$303 million (based on 45% leverage), providing considerable financial flexibility for growth opportunities. In April 2020, we leveraged on the Manager's strong banking relationships and PRIME's strong credit profile to reduce our financing costs through 2026 by restructuring our interest rate swap. This also helped to effectively lower our weighted average interest rate to 2.7% as at December 31, 2020, thus maximising our cashflow and increasing distributable income to Unitholders. Consequently, our interest coverage ratio improved to 5.8 times as at 31 December 2020.

With a robust performance in FY 2020 and the depth and breadth of experience of the Manager and the KBS team, PRIME remains in a strong position to pursue its core investment strategy of allocating capital to quality, income-producing office assets to contribute to our future growth. As we look at acquisition opportunities, we remain focused on optimising the efficiency of our capital structure to maximise value to our Unitholders.

A WELL-DIVERSIFIED, RESILIENT AND FUTURE-READY PORTFOLIO

PRIME has diversified exposure to 11 U.S. office markets, with over 240 high-quality tenants across a broad range of industry sectors, with over 70% in growth and established sectors. Building on the diversity of our quality portfolio, our acquisition of Park Tower in Sacramento in February 2020 added to PRIME's resilience. Sacramento is the California state capital and home to world-renowned education institutions and a highly educated workforce. The acquisition further enhanced PRIME's tenant mix and added the government sector to our portfolio's industry sector diversification. No single property contributed more than 15% of NPI, adding to our portfolio's stability and income resiliency. The stability of our property values is a testament to the strength of our diversified portfolio amidst the uncertainty in the broader market, with a decline of less than 1% from last year.

"PRIME remained resilient in these unprecedented times and approached the crisis with agility and strength."

(1) Based on DPU against closing unit price of US$0.79 as at 31 December 2020.

CHAIRMAN & CEO LETTER

We continue to value the strong relationships we have forged with our tenants. Through proactive lease management and expansion of technology solutions, we remain committed to providing prospective and existing tenants a safe and healthy environment for their return to office. This has contributed to tenant retention and satisfaction, and to the maintenance of a high portfolio occupancy rate of 92.4% that surpasses the average U.S. Class A Office occupancy rate of 86.8%. Our weighted average lease expiry ("**WALE**") was a long 4.4 years as at 31 December 2020 and rent collections were a strong 99% with minimal rent deferrals throughout FY 2020.

Our robust leasing momentum continues despite the challenges faced in the current environment. In 2020 we completed 225,222 square feet of leases with an average rental reversion of 7.2%. Approximately 99.9% of leases have annual rental escalations averaging 2%. Over 60% of the leases were renewals or expansions in FY 2020 and with both existing and new tenants who are largely from established and growth industry sectors.

As tenants begin to return to the office, we and our experienced asset managers are working closely with them to meet their needs. Also, recognising the importance of sustainable value creation for both our tenants and investors, 11 of our 12 assets are LEED or Energy Star Certified.

PRIMED FOR SUSTAINABLE GROWTH

The return to office is likely to be gradual, and cautious optimism is growing with the rollout of COVID-19 vaccines and the recently passed US$1.9T fiscal stimulus plan. We expect that a recovering economy combined with gaining control over the spread of the virus will provide greater clarity for tenants looking to make decisions on their future business climate and their real estate requirements. Sentiment amongst industry leaders is that the flight to quality will persist. Underpinned by our quality and diverse asset portfolio, healthy debt headroom, and consistent positive performance, we are confident to thrive in the 'next normal'.

Maximising value to our Unitholders remains our key objective, regardless of any fluctuations in the broader economy. Our ability to achieve this objective is supported by our successful leasing strategies, access to on-the-ground market intelligence, our strong tenant and asset management capabilities, as well as our robust capital structure. This is further enhanced by KBS' invaluable experience and market specific analyses which allows us to make astute investment decisions when deploying capital in high quality, accretive acquisitions in markets with favourable growth characteristics. We remain well-positioned to execute on our strategic growth plans, with the ultimate objective of achieving inclusion into the FTSE EPRA NAREIT Index.

Delivering long-term sustainable growth to our Unitholders also means maintaining ongoing communication with all our stakeholders as we progress. We have continued to provide timely updates to our Unitholders and have deepened relationships with the broader research and investment community through regular engagement. This has resulted in three new analysts covering PRIME positively and doubled total analyst coverage on PRIME to six as at December 2020 as at December 2020. PRIME also debuted in joint 10th position in the Governance Index for Trusts ("GIFT") 2020 amongst SGX-listed REITs and Trusts.

We intend to continue to raise our profile positively in the global capital markets, grow our portfolio efficiently and improve our trading liquidity, in support of our goal to enhance our Unitholders' value.

APPRECIATION

We are pleased to welcome Mr Kevin John Eric Adolphe, Mr Pankaj Agarwal and Ms Soh Onn Cheng Margaret Jane to the Board of Directors. Mr Adolphe and Mr Agarwal joined on 4 August 2020 as an Independent and Non-Executive Director, and Non-Executive Director of the Manager respectively. Ms Soh was appointed Independent and Non-Executive Director and Chair of the Nominating and Remuneration Committee of the Manager on 10 February 2021. The Board expresses its appreciation for Mr Tan Ser Ping's contributions during his tenure.

We would also like to extend our warm welcome to Mr Harmeet Singh Bedi who joined the management team on 22 May 2020 as Deputy Chief Executive Officer and Chief Financial Officer. With his expertise in investment and commercial banking, Mr Bedi contributes to the execution of PRIME's overall growth strategies and helms the finance and investor relations functions.

We would like to express our sincere gratitude to our Board members for their strategic oversight and counsel, as well as our management team and valued partners at KBS, AT Capital, Keppel Capital and Singapore Press Holdings for their continued support.

To our Unitholders, thank you for your continued trust and support in these turbulent times. We remain committed to growing our portfolio of prime properties to deliver long-term sustainable growth.

MR CHARLES J. SCHREIBER, JR.

Chairman and Non-Executive Director

MS BARBARA CAMBON

Chief Executive Officer and Chief Investment Officer

BOARD OF DIRECTORS


MR CHARLES J. SCHREIBER, JR.


PROFESSOR ANNIE KOH


MS SOH ONN CHENG MARGARET JANE


MS CHENG AI PHING


MR CHUA HSIEN YANG


MR JOHN R. FRENCH


MR LOH YEW SENG


MR KEVIN J.E. ADOLPHE


MR PANKAJ AGARWAL

MR CHARLES J. SCHREIBER, JR.

Chairman and Non-Executive Director

Member of Nominating and Remuneration Committee

Date of Appointment: 26 July 2018

Mr Schreiber is the co-founder and Chief Executive Officer of KBS Realty Advisors ("KBS RA") and KBS Capital Advisors ("KBS CA") and oversees the investor relations and operations of both entities. As of 31 December 2020, KBS RA, together with KBS affiliates, including KBS CA, had been involved in the investment in or management of approximately US$28.5 billion of real estate investments on behalf of institutional investors, including public and private pension plans, endowments and foundations, institutional and sovereign wealth funds, and the investors in KBS-sponsored REITs.

With over 45 years of experience in the real estate industry, Mr Schreiber has been involved exclusively in real estate development, management, acquisition, disposition and financing. Prior to forming the first KBS investment adviser in 1992, he has helmed various senior management positions including the executive vice president of Koll Investment Management Services and executive vice president of acquisitions and dispositions for The Koll Company. Currently, he is a member of the Executive Committee for the Public Non-Listed REIT Council of National Association of Real Estate Investment Trusts ("NAREIT") and the National Council of Real Estate Investment Fiduciaries ("NCREIF").

Mr Schreiber graduated from the University of Southern California ("USC") with a bachelor's degree in finance with an emphasis in real estate.

PROFESSOR ANNIE KOH

Independent and Non-Executive Director

Chairperson of Audit and Risk Committee

Date of Appointment: 28 June 2019

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. She is currently a board member of Yoma Strategic Holdings Ltd, PBA Group, AMTD International Inc. and Prudential Assurance Company

BOARD OF DIRECTORS

Singapore Pte Ltd, and serves on the Customs Advisory Council and HR Transformation Advisory Panel. Professor Koh chairs the TAFEP Awards and advises a number of startup firms. She previously served on GovTech, Singapore's CPF, HMI and K1 Ventures boards.

Professor Koh's previously held positions at SMU include Vice President for Business Development;V3 Group Professor of Family Entrepreneurship; Professor of Finance (Practice); 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 a Ph.D. degree in International Finance with Fulbright scholarship 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, An Asia Edition (2014), and Financing Internationalisation – Growth Strategies for Successful Companies (2004), 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 SOH ONN CHENG MARGARET JANE

Independent and Non-Executive Director

Chairman of Nominating and Remuneration Committee

Date of Appointment: 10 February 2021

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.

MS CHENG AI PHING

Independent and Non-Executive Director

Member of Audit and Risk Committee and Nominating and Remuneration Committee

Date of Appointment: 28 June 2019

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 Standards Council of Singapore, 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 and became a member of its Investigation and Disciplinary Panel in 2016.

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

MR CHUA HSIEN YANG

Non-Independent and Non-Executive Director

Date of Appointment: 26 July 2018

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 till 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 JOHN R. FRENCH

Independent and Non-Executive Director

Date of Appointment: 8 November 2019

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.

MR LOH YEW SENG

Non-Executive Director

Date of Appointment: 8 November 2019

Mr Loh was appointed 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 Ã 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 KEVIN J.E. ADOLPHE

Independent and Non-Executive Director

Date of Appointment: 4 August 2020

As Chief Investment Officer of Neighbourhood Capital, Mr Adolphe is responsible for leading the investment team and chairing the Investment Committee. He oversees the investment management function and product development, while providing support to the capital raising function. As a member of Executive Management Team, Mr Adolphe contributes to the development and implementation of corporate strategy and governance.

Mr Adolphe has over 35 years of global experience in real estate, asset management and financial services. Recently, he was the Chief Operating Officer of NEXT Canada and was accountable for defining the new strategic direction for the organization; implementing a new organizational structure and management team; and managing all financial and operational activities. Previously, 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, Mosaic Capital Corporation, and the Ontario Provincial Judges Pension.

MR PANKAJ AGARWAL

Non-Executive Director

Date of Appointment: 4 August 2020

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 35 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; and board positions including the Pension Real Estate Association, National Council of Real Estate Investment Fiduciaries, BioMed Realty Trust and Amstar Advisers. Ms Cambon is presently on the Policy Advisory Board of the University of San Diego Burnham-Moores Center for Real Estate and is a NCREIF Ambassador.

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 helming 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 2020 to 31 December 2020 ("FY2020").

In FY2020, PRIME delivered results that exceeded its initial public offering (IPO) forecast, driven by contributions from Park Tower, which was acquired in February 2020 (1), and lower other trust expenses.

Overview (US$'000)

	2020 Actual	2020 Forecast (1)	+/(-)%	2019 Actual (2)
Gross Revenue	143,557	134,724	6.6	60,657
Property Operating Expenses	(48,568)	(46,546)	4.3	(20,486)
Net Property Income	**94,989**	**88,178**	**7.7**	**40,171**
Manager's base fee	(7,355)	(6,364)	15.6	(2,977)
Manager's performance fee	(622)	–	n.m.	–
Trustee's fee	(188)	(244)	(23.0)	(76)
Other trust expenses	(1,426)	(3,500)	(59.3)	(1,008)
Net change in fair value of derivatives	(16,356)	–	n.m.	(6,895)
Finance expenses	(14,871)	(16,424)	(9.5)	(7,078)
Finance income	3	–	n.m.	40
Net income before tax and fair value change in investment properties	**54,174**	**61,645**	**(12.1)**	**22,177**
Net change in fair value of investment properties	(28,935)	(5,189)	457.6	18,795
Net Income before tax	**25,239**	**56,456**	**(55.3)**	**40,972**
Tax expense	(2,030)	(5,775)	(64.8)	(7,268)
Net income attributable to Unitholders	**23,209**	**50,681**	**(54.2)**	**33,704**
Distribution adjustments	48,869	11,688	318.1	(4,528)
Income available for distribution to Unitholders	**72,078**	**62,369**	**15.6**	**29,176**

n.m. – not meaningful
(1) Forecast for Projection Year 2020's financials as disclosed in the Prospectus.
(2) Period from 19 July 2019 (listing date of PRIME) to 31 December 2019.

INCOME AVAILABLE FOR DISTRIBUTION

Distributable income for the FY2020 was US$72.1 million, 15.6% above IPO forecast, contributed by Park Tower and lower other trust expenses.

Distribution per Unit (DPU) FY2020 was US6.94 cents, translating to a distribution yield of 8.8% based on the market closing price of US$0.79 per Unit as at the last trading day of 2020. DPU was 3.6% above IPO forecast.

GROSS REVENUE

Gross revenue for the FY2020 was US$143.6 million, US$8.8 million or 6.6% higher than forecast largely due to higher rental income offset by lower recoveries income. Higher rental income was contributed by Park Tower. Lower recoveries income related to lower property expenses. Recoveries income refer to reimbursements from tenants for certain property expenses.

Gross Revenue* by Asset (US$m)
for financial year ended 31 December

	2020 Actual	2020 Forecast	2019 Actual
Tower I at Emeryville	12.81	13.61	5.88
222 Main	18.95	20.50	9.09
Village Center Station I	7.17	9.69	4.30
Village Center Station II	10.43	10.06	4.67
101 South Hanley	11.46	11.88	5.48
Tower 909	10.85	10.71	5.02
Promenade I & II	8.83	8.44	3.99
CrossPoint	10.35	10.56	4.69
One Washingtonian Center	12.85	12.75	5.47
Reston Square	6.27	6.34	2.83
171 17th Street	18.85	20.18	9.23
Park Tower	14.74	–	–

* Gross Revenue includes rental income, recoveries income and other operating income

(1) Park Tower was acquired from GV/HI Park Tower Owner, LLC. at a valuation of US$170.0 million as of 16 January 2020. The valuer, Joseph J. Blake & Associates, Inc., valued Park Tower 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.

FINANCIAL REVIEW

NET PROPERTY INCOME (NPI)

NPI for FY2020 was US$95.0 million, US$6.8 million or 7.7% higher than forecast, primarily due to higher gross revenue.

Net Property Income by Asset (US$m) for financial year ended 31 December	2020 Actual	2020 Forecast	2019 Actual
Tower I at Emeryville	8.80	9.34	3.94
222 Main	14.03	14.80	6.58
Village Center Station I	3.83	5.80	2.49
Village Center Station II	9.17	9.12	4.14
101 South Hanley	6.62	6.63	3.11
Tower 909	6.02	5.87	2.71
Promenade I & II	5.70	5.13	2.52
CrossPoint	7.17	6.90	3.16
One Washingtonian Center	8.40	7.96	3.33
Reston Square	4.21	4.17	1.79
171 17th Street	11.80	12.46	5.88
Park Tower	9.25	–	–

NET INCOME

Net income for FY2020 was US$23.2 million, US$27.5 million or 54.2% lower than the IPO forecast, attributed primarily to the higher fair value loss in investment properties and the loss in fair value of derivative instruments mitigated by higher NPI and lower tax expense.

The properties were revalued as of 31 December 2020, resulting in a net fair value loss in investment properties of US$28.9 million, US$23.7 million higher than forecast. For the purposes of the forecast, capital expenditures, tenancy improvements and lease commission are capitalised resulting in no fair value gains or losses in investment properties. The fair value loss in investment properties consists of straight line rent adjustments of US$5.7 million offset by amortisation of lease commissions of US$0.5 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 loss of US$16.4 million as interest rates were lower on 31 December 2020 compared to previous financial year ended 31 December 2019, resulting in losses from mark-to-market of these swaps. The forecast did not assume any changes in valuation of interest rate swaps. This is a non-cash item and therefore does not affect income available for distribution to Unitholders.

Finance expenses of US$14.9 million were 9.5% or US$1.6 million lower than forecast due mainly to lower financing costs on its borrowings attributed to new interest rate swaps taken up in April 2020.

Tax expense of US$2.0 million was 64.8% or US$3.7 million lower than forecast. This was primarily due to lower deferred tax recognised due to the downward adjustment in fair value of investment properties.

TAX RESTRUCTURING

On 20 December 2018, the United States Department of the Treasury released proposed regulations under Section 267A (the "Proposed 267A Regulations").

The Proposed 267A Regulations, are not expected to necessitate any further changes to PRIME's structure in order to preserve the deductibility of interest paid on PRIME's intercompany financing arrangements. As disclosed in the prior period, the Manager expected that the Proposed 267A Regulations, would not have any material impact on the consolidated net tangible assets or distributions per unit of PRIME.

In connection with the foregoing, the final US Tax regulations issued on 7 April 2020 (the "Final Regulations") confirmed that there should be no impact on PRIME's tax structure and its distributable income.

PRIME has complied with the relevant tax laws and regulations for its relevant subsidiaries or associates to qualify as a real estate investment trust for US federal income tax purposes.

INVESTMENT PROPERTIES

As at 31 December 2020, assets under management (AUM) was approximately US$1.4 billion. This was 12% above the value of AUM as at 31 December 2019 primarily due to the acquisition of Park Tower.

Combining Park Tower's acquisition costs in Feb 2020, 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 portfolio valuation holds steady with an overall small decrease of 0.9%, underpinning the strength of PRIME's diversified portfolio.

Investment Properties (US$m)	31 December 2020	31 December 2019	
	Valuation[1]	Valuation	Purchase Price
Tower I at Emeryville	115.70	125.80	121.10
222 Main	224.00	220.00	211.25
Village Center Station I	86.40	88.50	89.15
Village Center Station II	155.10	145.80	144.55
101 South Hanley	80.00	81.50	79.70
Tower 909	80.90	82.40	76.30
Promenade I & II	71.00	75.00	72.80
CrossPoint	99.00	99.50	97.70
One Washingtonian Center	102.00	106.00	102.10
Reston Square	46.90	49.20	51.00
171 17th Street	180.70	181.00	176.50
Total for IPO portfolio	**1,241.70**	**1,254.70**	**1,222.15**
Park Tower	163.50	163.20[2]	165.50
Grand Total	**1,405.20**	**1,417.90**	**1,387.65**

(1) Cushman and Wakefield Western, Inc was appointed as the valuer for a third consecutive financial year.
(2) Park Tower acquisition costs in Feb 2020, net of credits received at closing for capital expenditure and leasing costs under seller's responsibility.

NET ASSET VALUE ("NAV") PER UNIT

As at 31 December 2020, NAV per Unit was US$0.86. Excluding the DPU declared for the second half of financial year ended 31 December 2020, the adjusted NAV per Unit was US$0.82. As at 31 December 2019, NAV per Unit was US$0.89.

FUNDING AND BORROWINGS

As at 31 December 2020, PRIME's gross borrowings were US$484.6 million.

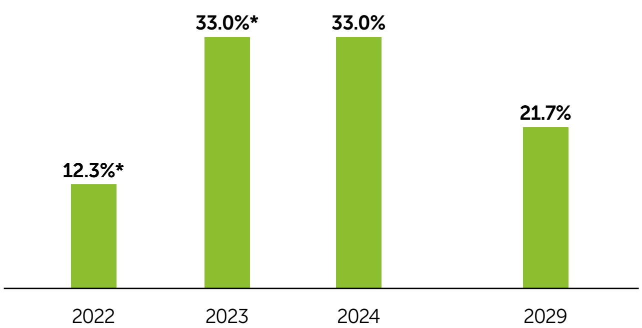
As at 31 December 2020, PRIME had gross borrowings, which comprised of long-term loans of US$425 million, excluding its revolving credit facility, to partly finance the acquisition of the IPO portfolio properties and Park Tower in July 2019 and February 2020 respectively. As at 31 December 2020, PRIME had drawn down US$59.6 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 hedge for its income and investments.

PRIME's gearing stood at 33.5% as at 31 December 2020, which along with US$90.4 million of undrawn bank lines, access to additional capital sources, and debt headroom of US$303 million (based on 45% leverage) provides considerable financial flexibility to execute its growth strategies.

With a fully extended debt maturity of 4.6 years (assuming an exercise of options to extend debt tranches maturing in 2022 and 2023), PRIME has no near-term refinancing requirements until 2024. The effective interest rate on borrowings was a low 2.7%, with an interest coverage ratio of 5.8 times, as at 31 December 2020.

Debt Maturity Profile (%)



* 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.

FINANCIAL REVIEW

CASH FLOWS AND LIQUIDITY

As at 31 December 2020, PRIME's cash and cash equivalents were US$37.4 million.

Net cash generated from operating activities for the FY2020 was US$89.9 million, mainly from cash received from NPI. Net cash used in investing activities for the FY2020 amounted to US$175.9 million. This included mainly net cash of US$164.2 million deployed for the acquisition of Park Tower, including related assets and liabilities, as well as payment for capital expenditure for investment properties of US$11.7 million.

Net cash generated from financing activities amounted to US$85.6 million. This comprised mainly US$120.0 million from equity proceeds, and US$46.4 million of debt financing obtained from external banks, net of transaction costs and repayments, partially offset by distribution paid to Unitholders of US$65.0 million during the year.

USE OF 21 FEBRUARY 2020 PRIVATE PLACEMENT PROCEEDS AND LOAN FACILITY DRAWN IN RELATION TO ACQUISITION OF PARK TOWER

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 completed on 21 February 2020. 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 disclosed in PRIME's announcement on the private placement. The proceeds from the issue of Units and loan facility drawn on were used for the following:

	Actual
	US$'000
Acquisition of the property [(1)]	163,200
Transaction costs [(2)]	2,658
Total	**165,858**

(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), the aggregate leverage should not exceed 45.0% of PRIME's deposited properties.

On 16 April 2020, the Monetary Authority of Singapore announced new measures to provide real estate investment trusts list on the Singapore Exchange 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% with immediate effect.

PRIME has complied with the applicable leverage limits during the financial year ended 31 December 2020.

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 Group's financial performance.

PRIME's financial risk management is discussed in more details 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 2020, 86.9% of the variable rate interest borrowings had been hedged using floating-to-fixed interest rate swaps. Including 10-year term loan, fixed interest rates on 89.8% of total gross borrowings mitigate against near-term interest rate risks for PRIME.

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.

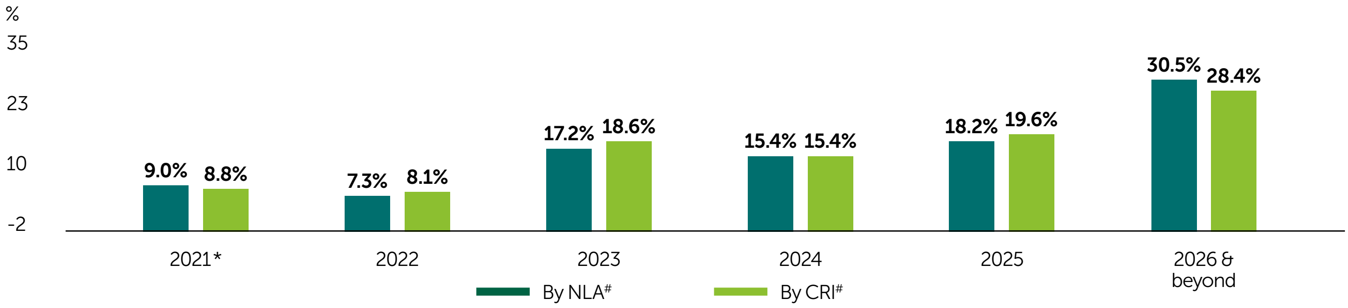
PRIME's significant policies are discussed in more detail in the notes to the financial statements.

PORTFOLIO REVIEW

STABLE LEASE PROFILE WITH LOW EXPIRATIONS

PRIME has a portfolio comprising 12 high-quality Class A office buildings located in 11 key U.S. markets with an aggregate net lettable area ("NLA") of 3.9 million sq ft as at 31 December 2020. The portfolio has a weighted average lease expiry ("WALE") of 4.4 years[1] by NLA and a leased occupancy of 92.4% as at 31 December 2020, with less than 9% of average expirations per year by cash rental income ("CRI") over the next two years. The following chart summarises the stable lease expiry profile of the portfolio as of 31 December 2020.

Stable Tenancy Profile with Low Expirations in 2021-2022



* 2021 expirations exclude month-to-month leases
\# As at 31 December 2020

RESILIENT PORTFOLIO WITH WELL-DIVERSIFIED TENANT MIX

PRIME's strong and resilient portfolio is underpinned by a diversified tenant mix of 244 tenants, balanced across a wide range of industry sectors. As at 31 December 2020, more than 70% of PRIME's tenants by CRI are in established and growing STEM/TAMI[2] sectors such as communications and information, medical and health care, real estate, finance and legal services, with the largest sector accounting for 15.9% of total CRI.

This well-diversified tenant mix includes strong creditworthy companies including leading global investment bank - Goldman Sachs, the fourth largest United States bank - Wells Fargo, leading broadband connectivity and cable operator – Charter Communications, and a worldwide leader in integrated food and facilities management services – Sodexo. These top 4 tenants, with significant equity market capitalizations and credit ratings ranging from Ba1 to A1 comprise 24% of the portfolio's CRI.

The top 10 tenants contributed 41.6% of the portfolio's CRI as at 31 December 2020:

Top 10 Tenants as at 31 December 2020

Tenant	Industry	Credit Rating	Property	Leased sq ft	% of Portfolio CRI[1]
Charter Communications	Communications	Moody's: Ba1	Village Center Station I & II	420,151	9.0%
Goldman Sachs Group Inc.	Finance	Moody's: A3 S&P: BBB+ Fitch: A	222 Main	177,206	6.0%
Sodexo Operations LLC	Accommodation and Food Services	S&P: A- Fitch: BBB+	One Washingtonian Center	190,698	5.5%
Wells Fargo Bank NA	Finance	Moody's: a1 S&P: A+	171 17th Street	106,030	3.5%
Arnall Golden Gregory LLP	Legal Services	Private Firm	171 17th Street	122,240	3.4%
Holland & Hart	Legal Services	Private Firm	222 Main	89,960	3.3%
State of California	Government	Fitch: AA Moody's: Aa2	Park Tower	140,772	3.3%
Whitney, Bradley & Brown	Professional / Technical Services	Private Firm	Reston Square	73,511	2.8%
WeWork	Real Estate Services	Fitch: CCC	Tower I at Emeryville	56,977	2.5%
Apache Corporation	Oil and Gas	S&P: BB+	Promenade I & II	69,617	2.3%
Total				**1,447,162**	**41.6%**
WALE Top 10					**5.2 Years**

(1) Based on leases ended into and commenced in 2020, the portfolio WALE would be 4.2 years.
(2) Established: Finance, Real Estate, Legal, Government; STEM/TAMI: Communications, Health Care, Scientific R&D Services, Information, Professional, Scientific and Tech Services.

PORTFOLIO REVIEW

The acquisition of Park Tower in Sacramento in February 2020 further enhanced PRIME's tenant mix and industry sector diversification, with the addition of the government sector, providing resilience and growth to PRIME's portfolio. Sacramento has an expanding economy with significant in-migration and population growth trends, and a highly educated workforce due to the presence of world-renowned education institutions.

CRI by Trade Sector for FY2020

	%
Communications and Information	15.9
Finance	15.7
Other	13.2
Legal Services	11.6
Medical, Biotech and Health Care	10.5
Accomodation and Food Services	8.3
Real Estate Services	8.2
Professional/Technical Services	6.1
Oil and Gas	5.5
Government	5.0

Underpinned by quality of portfolio and established tenant mix, the Manager achieved a high rental collection rate of 99% with minimal rental deferrals throughout FY 2020. As at 31 December, approximately 99.9% of leases have annual rental escalations averaging 2%.

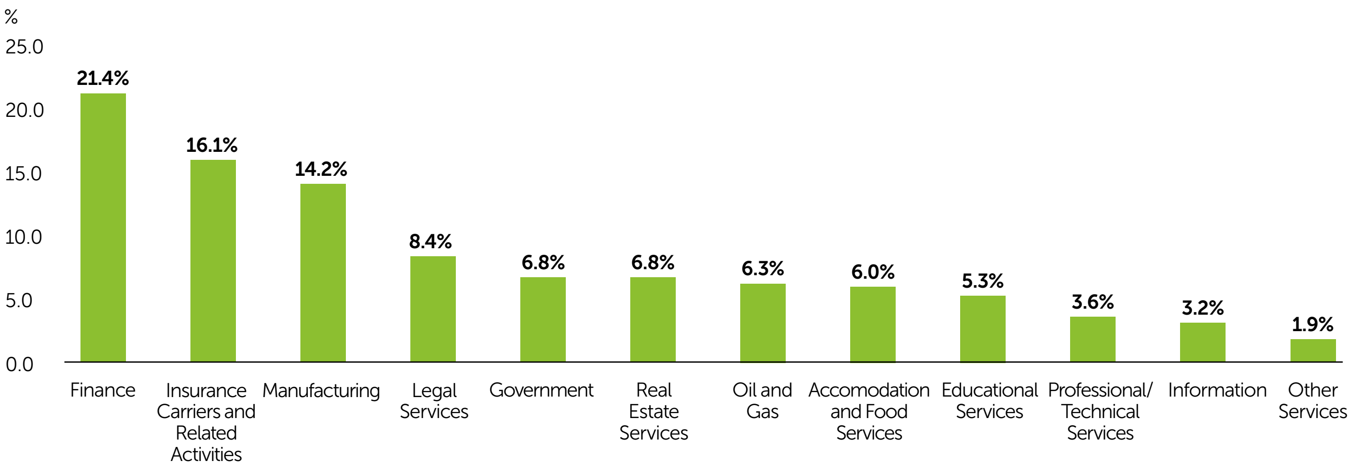
PRIME's total asset valuation grew from US$1.255 billion as at 31 December 2019 to US$1.405 billion as at 31 December 2020.

LEASING AND RENTAL REVERSION

The Manager's deep experience in executing on leasing strategies generated a total of 225,222 sq ft in leases signed in FY 2020 at a positive rental reversion of 8.4% (excluding short term lease extensions). Over 60% of the leases signed were renewed or expanded by existing tenants, while new tenants were largely from the established and technology sectors. For new leases signed in 2020, the WALE was 4.2 years[(1)] and accounted for 5.9% of CRI for FY 2020.

Amid the onset of the COVID-19 pandemic, whilst leasing activity slowed in the second quarter, there was a marked pick up in in the second half of the year, which accounted for 63% of total year leasing volume. These leases yielded a rental reversion of 8.7% (excluding short term extensions), while over 94% of the leases by NLA were for terms greater than one year.

Trade Mix of New Leases Signed by NLA in FY2020



(1) Based on date of lease commencement in 2020, the WALE would be 4.7 years and accounted for 2.5% of CRI for FY 2020.

HIGH PORTFOLIO OCCUPANCY RATE

Amidst the COVID-19 pandemic, PRIME's portfolio occupancy remained stable at more than 92% throughout FY 2020, with VCS II & Reston Square fully occupied and no expiries in 2021. As at 31 December 2020, the committed occupancy of 92.4% exceeds the U.S.' Class A office average occupancy of 86.8% (2). This is a testament to the portfolio's superior location in urban centres, with easy access to world-class amenities and transportation systems. PRIME's highly amenitised and strategically located assets within growth markets remained resilient and are expected to continue to attract and retain established, quality tenants. The Manager continues to adopt a proactive portfolio lease management strategy with focus on driving occupancy on 171 17th Street and Village Center Station I in 2021.

As at 31 December 2020, the average portfolio in place rent was US$31.87 psf, with a potential rental reversion of 6.5% as compared to the average annual asking rent of US$33.93 psf.

ASSET ENHANCEMENT INITIATIVES ("AEIs")

Throughout 2020, most properties have implemented enhanced safety measures to limit the spread of COVID-19. As such, most properties have undergone upgrades to MERV 13 air filters, which are the highest quality air filters available. In addition, NanoSeptic self-cleaning buttons are also installed in elevators to help keep high touch surfaces disinfected. These added measures serve to provide assurance of safety to tenants as they return to the workplace.

The Manager is also leveraging on technology such as Maptician software to increase social distancing, facilitate staggered work schedules and assist with proximity contact tracing. This interactive smart-map solution provides tenants the ability to coordinate space planning efforts to ensure a safe working environment.

At One Washingtonian, restroom upgrades were completed on two floors to increase the quality of the building. These upgrades have helped maintain the building's high occupancy of 94.7% as of 31 December 2020. Elevator modernizations were completed at both Park Tower and Tower I at Emeryville. 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.

(2) CoStar Q420 as of 13 Feb 2021

PROPERTIES PROFILE

AS AT 31 DECEMBER 2020

12
Prime U.S. Office Properties

100%
Class A

100%
Freehold

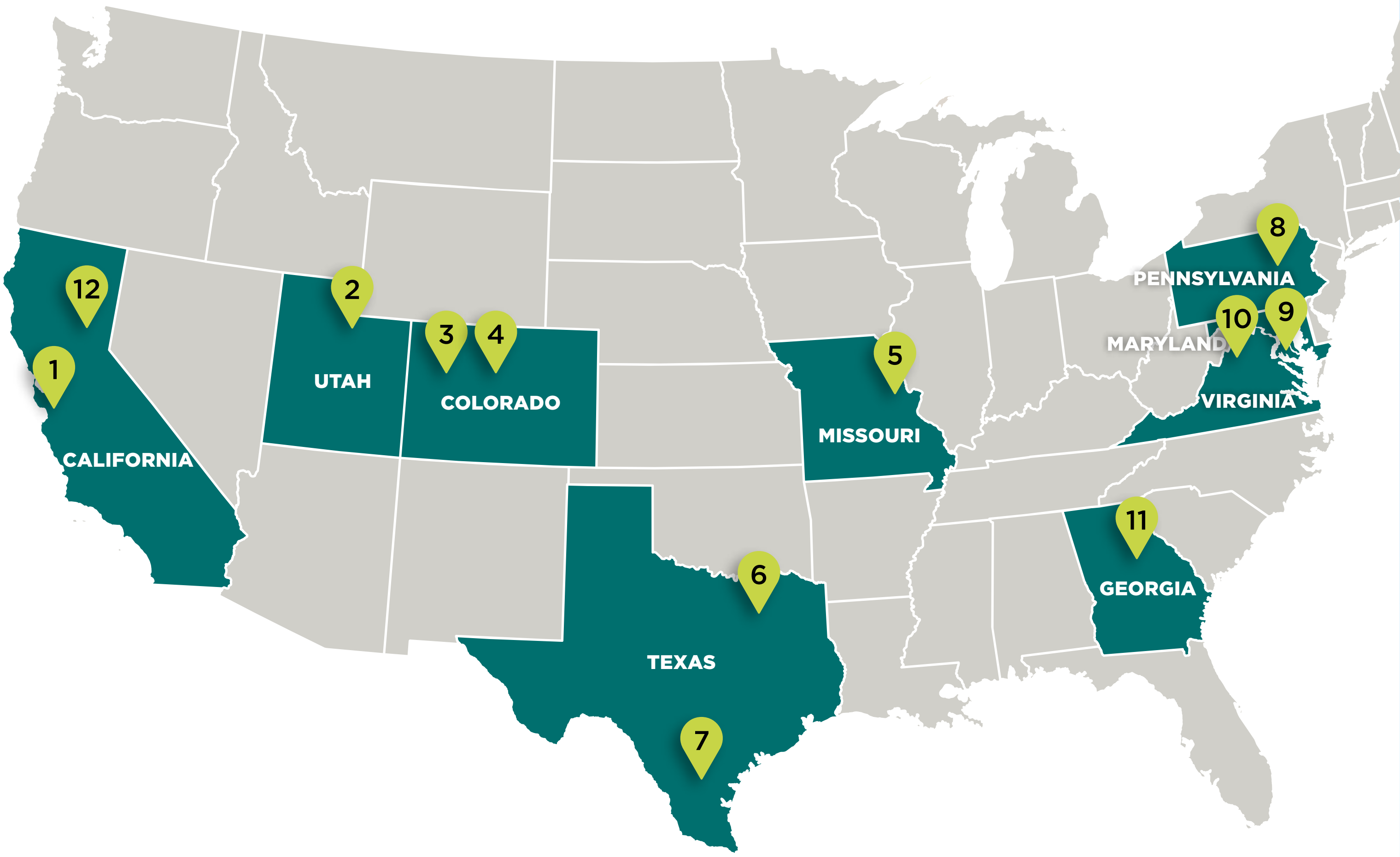
92.4%
Portfolio Occupancy[(1)]

3.9M sq ft
NLA

US$1.405B
Carrying Value[(2)]

99.9%
CRI with Built-In Rental Escalation[(1)]

4.4 years
WALE[(1)] (By NLA)



(1) As at 31 December 2020.
(2) Carrying value represents valuations of investment properties as at 31 December 2020.


1 TOWER I AT EMERYVILLE


2 222 MAIN


3 VILLAGE CENTER STATION I


4 VILLAGE CENTER STATION II


5 101 SOUTH HANLEY


6 TOWER 909


7 PROMENADE I & II


8 CROSSPOINT


9 ONE WASHINGTONIAN CENTER


10 RESTON SQUARE

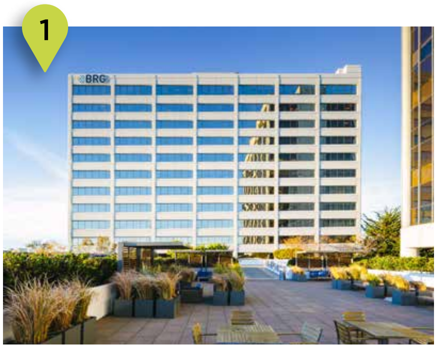
11 171 17TH STREET


12 PARK TOWER

PROPERTIES PROFILE

AS AT 31 DECEMBER 2020

1



TOWER I AT EMERYVILLE

**1900 Powell Street,
Emeryville,
California 94608**

94.5% Occupancy

US$115.7M Carrying Value

501 Parking Stalls

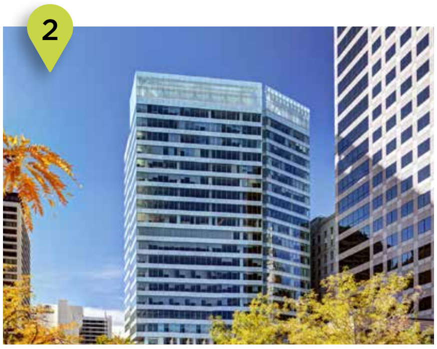
12 Number of Storeys

222,606 Net Lettable Area (sq ft)

Energy Star Certified

- 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.

2



222 MAIN

**222 South Main Street
Salt Lake City,
Utah 84101**

94.9% Occupancy

US$224.0M Carrying Value

860 Parking Stalls

21 Number of Storeys

433,346 Net Lettable Area (sq ft)

LEED Gold Certified

- 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 7 miles (11km) of Salt Lake City International Airport which is undergoing a $4 billion expansion.

VILLAGE CENTER STATION I

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

65.1% Occupancy

US$86.4M Carrying Value

786 Parking Stalls

9 Number of Storeys

241,846 Net Lettable Area (sq ft)

LEED Gold Certified

- 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.
- A recently renovated state-of-the-art fitness center features new shower facilities, TRX, Peloton bikes, and studio facilities currently offering a variety of classes. Village Center Station also recently completed a lobby remodel and a totally new conference and collaboration center for the use of tenants of the property.
- 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.

VILLAGE CENTER STATION II

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

100.0% Occupancy

US$155.1M Carrying Value

1,221 Parking Stalls

12 Number of Storeys

325,576 Net Lettable Area (sq ft)

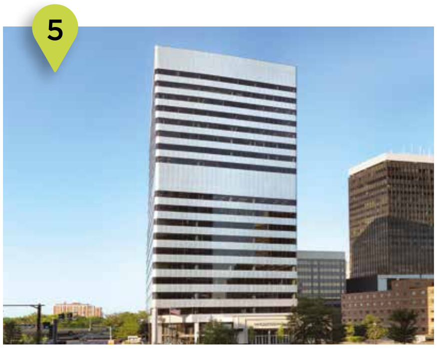
LEED Certified

- 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.

PROPERTIES PROFILE

AS AT 31 DECEMBER 2020

5



101 SOUTH HANLEY

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

97.6%
Occupancy

US$80.0M
Carrying Value

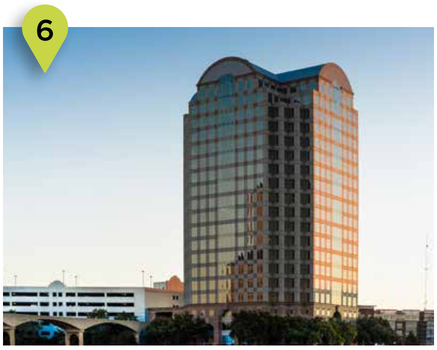
916
Parking Stalls

19
Number of Storeys

360,505
Net Lettable Area (sq ft)

- 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.

6



TOWER 909

**909 Lake Carolyn Parkway,
Irving,
Texas 75039**

89.5%
Occupancy

US$80.9M
Carrying Value

1,107
Parking Stalls

19
Number of Storeys

374,251
Net Lettable Area (sq ft)

LEED, Energy Star & WiredScore Silver
Certified

- 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.

7

PROMENADE I & II

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

97.5%
Occupancy

US$71.0M
Carrying Value

823
Parking Stalls

4+1 Lower Level
Number of Storeys

205,773
Net Lettable Area (sq ft)

Energy Star
Certified

- 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.

8

CROSSPOINT

550 East Swedesford Road,
Wayne,
Pennsylvania 19087

100.0%
Occupancy

US$99.0M
Carrying Value

958
Parking Stalls

4
Number of Storeys

272,360
Net Lettable Area (sq ft)

LEED GOLD
Certified

- 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 2020

9

ONE WASHINGTONIAN CENTER

9801 Washingtonian Boulevard,
Gaithersburg,
Maryland 20878

94.7%
Occupancy

US$102.0M
Carrying Value

1,219
Parking Stalls

13
Number of Storeys

314,284
Net Lettable Area (sq ft)

LEED Platinum
Certified

- 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.

10

RESTON SQUARE

11790 Sunrise Valley Drive,
Reston,
Virginia 20191

100.0%
Occupancy

US$46.9M
Carrying Value

477
Parking Stalls

6
Number of Storeys

139,018
Net Lettable Area (sq ft)

LEED Silver
New Construction Certified

- 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

11

171 17TH STREET

171 17th Street NW,
Atlanta,
Georgia 30363

86.3%
Occupancy

US$180.7M
Carrying Value

1,200
Parking Stalls

22
Number of Storeys

510,268
Net Lettable Area (sq ft)

LEED Platinum
Certified

- 171 17th 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.

12

PARK TOWER

980 9th Street,
Sacramento,
California 95814

92.6%
Occupancy

US$163.5M
Carrying Value

1,153
Parking Stalls

24
Number of Storeys

489,171
Net Lettable Area (sq ft)

LEED Gold
Certified

- 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.
- Park Tower underwent significant improvements in 2019 and features newly renovated amenities including 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.

INDEPENDENT MARKET REPORT

By Cushman & Wakefield
31 December 2020

The US economy appears on track for a rebound in 2021, and office leasing activity is expected to mirror the same upward trajectory.

UNITED STATES (U.S.) ECONOMY

The recession that began in March 2020, triggered by the COVID-19 pandemic, was short and steep. In the second quarter of 2020, real (inflation-adjusted) gross domestic product (GDP) collapsed at a record 31.4% quarter-over-quarter annual pace, only to bounce back at a record 33.4% annual rate in the third quarter. In the final quarter of 2020, the pace of recovery had slowed substantially as the pandemic worsened again, and for year-end 2020 the GDP remained 2.5% below its peak in fourth quarter of 2019.

Employment, a key driver of demand for space, experienced a turbulent 2020 as the economy shed more than 22 million jobs in March and April, and then added 12.5 million jobs between May and November. In December 2020, however, the economy lost a net of 140,000 jobs as COVID-driven shutdowns led to a decline in employment of approximately 500,000 jobs in the leisure and hospitality sector (other sectors experienced modest gains that month). As of year-end 2020, total nonfarm employment was still 9.9 million jobs below its pre-recession peak, while at the same time, layoffs remain elevated, signaling that the labor markets are still stressed.

Currently, two developments point to a more upbeat outlook for 2021: effective vaccines were approved and have started to be rolled out; and a new Administration and Congress were elected. The elections results are expected to lead to a more aggressive fiscal stimulus sometime in the first quarter of 2021, possibly totaling as much as US$1.9 trillion. As more of the population becomes inoculated and the stimulus triggers an economic jolt, consumer confidence is expected to rise. This will lead to increased consumer spending, particularly in activities that had to be curtailed, such as restaurants, travel and retail. Right now, we expect the US economy to continue to recover in 2021, with the strength backloaded in the second half of the year.

Economic Conditions

In 2020, the US economy contracted 3.5%, the first decline since 2009 when GDP shrank by 2.5% during the height of the Great Recession. Last year was also the worst year for economic growth since 1946 when the economy shrank by 11.5% as the nation transitioned into the post-war period. While this recession's low point was unusually low, the GDP bounced back from the trough of this recession much faster.

While the recession may be technically over, the economy still has a long way to go. More than 18 million Americans are receiving unemployment benefits, and industries that rely on person-to-person contact, such as hotels, bars and restaurants will be on life support until the pandemic ends. In fact, consumer spending slowed down in all 15 categories tracked by the Bureau of Economic Analysis (BEA) as the sectors that powered the return to growth in the third quarter faltered again. In the fourth quarter, Americans spent less on restaurants and hotels than they did in the third quarter, while growth also slowed on motor vehicle spending and health care after a steep third quarter acceleration.

With a few exceptions, countries around the globe are experiencing similar conditions and economic impediments. While the International Monetary Fund (IMF) reports that the global economy shrank by 3.5% in 2020, they are now expecting a 5.5% increase in global growth in 2021, with it then moderating to 4.2% in 2022. This upgrade reflects the positive effects seen in early vaccination efforts in some countries, additional fiscal support in the US and Japan, and at least a partial return to business and consumer normality as the health crisis wanes.

As shown in the following table, the eight markets reviewed in this report all experienced declines in employment for 2020, but all are expected to see employment growth in 2021. The corresponding result in unemployment was increases across all eight markets, though most are expecting declines in the unemployment rate for 2021. Some increases from the historically low levels of 2019 were previously anticipated, but spikes in unemployment were much larger due to the pandemic.

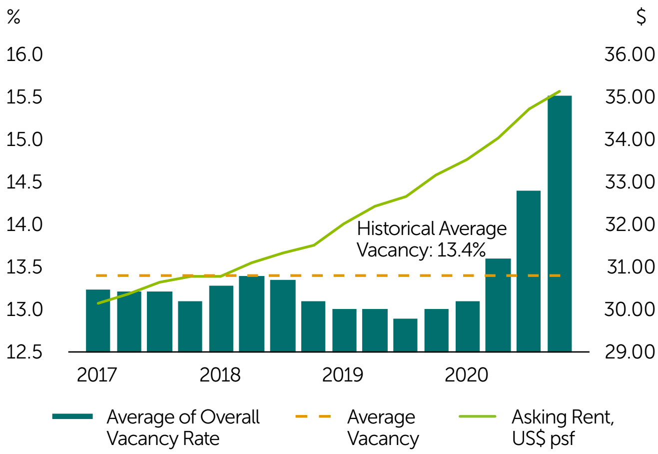
While it is still too early to estimate the lasting effects of the coronavirus, the economy is growing again. Driven by the vaccine rollout, the December stimulus and the anticipated Biden Administration stimulus, as well as loosened monetary policies, many experts anticipate growth in 2021 could be the best on record since the late 1990s. An economic survey conducted by the Wall Street Journal predicts economic growth at 4.3% for 2021 as people begin to spend money they had saved or were unable to spend during the height of the pandemic. Cushman & Wakefield Research expects the recovery in the US to continue through 2021, with strength backloaded in the second half of the year.

After economic activity collapsed at a record pace in the second quarter, it rebounded sharply in the third quarter. By the fourth quarter, the pace of recovery had slowed somewhat, and by most measures, economic performance was still below pre-recession levels. Although optimism that the economy would recover improved during the quarter, the number of new COVID-19 cases continued to rise and occupiers continued to shed space, pushing up vacancy. In addition, the amount of sublease space on the market had risen sharply—a phenomenon which has put downward pressure on rents in the past.

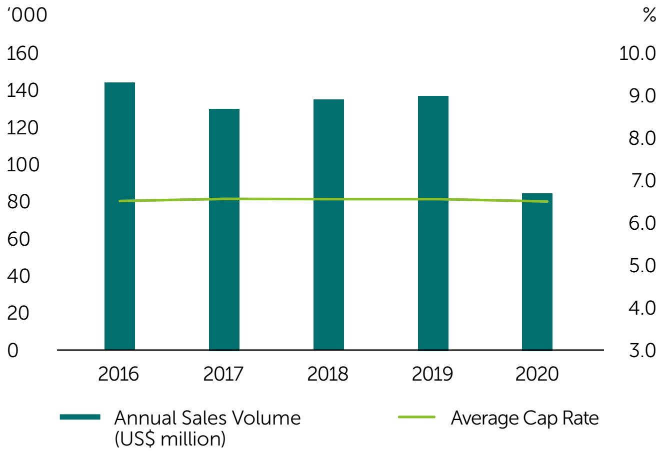
Economic Indicators	US	Denver, Colorado	Atlanta, Georgia	Sacramento, Califonia	Salt Lake City, Utah	Dallas, Texas	St Louis, Missouri	Suburban Maryland	Philadelphia, Pennsylvania	Oakland, California	San Antonio, Texas	Suburban Virginia
Nonfarm Employment												
Q4 2019	151.9m	1,561k	2,904k	1,033k	772k	3,876k	1,400k	3,479k	3,006k	2,515k	1,100k	799k
Q4 2020	142.6m	1,493k	2,832k	961k	768k	3,794k	1,336k	3,363k	2,791k	2,271k	1,063k	772k
12-Month Forecast	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Unemployment Rate												
Q4 2019	3.6%	2.3%	2.7%	3.2%	2.1%	2.9%	3.3%	2.6%	4.0%	2.2%	2.8%	2.7%
Q4 2020	6.7%	8.5%	5.4%	7.9%	3.5%	6.3%	5.9%	5.6%	6.5%	7.0%	6.4%	5.3%
12-Month Forecast	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼

U.S. OFFICE MARKET OVERVIEW

Overall Vacancy and Asking Rents

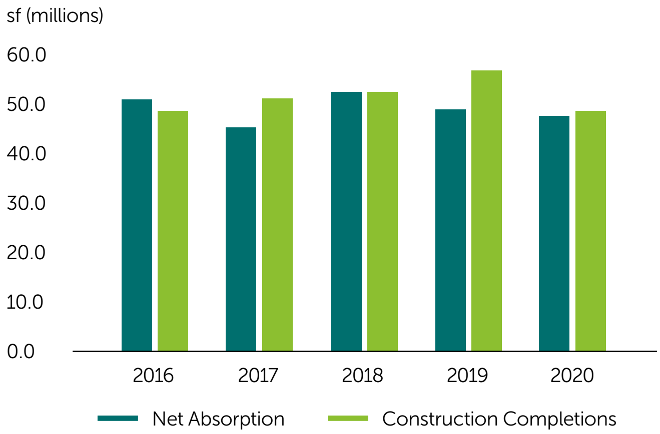


Investment Sales



Source: Real Capital Analytics

Office Space Demand and Deliveries



Absorption falls even more: After a steep decline of 2.9 million jobs (-8.6%) in March and April, office-using employment rebounded throughout the balance of the year, adding back 1.6 million jobs from May through December. This still leaves a deficit of 1.2 million jobs below the level of February 2020, reflected in a sharp drop in office occupancy. In the fourth quarter of 2020, net absorption totaled -43 msf, the third consecutive quarter of negative absorption. From the second quarter through fourth quarter of 2020, a total of -103 msf came back to the market, the largest three-quarter decline in occupancy we have ever recorded.

Sublease space rises: As 2020 unfolded, we saw a sharp increase in the amount of sublease space available in the office market. The volume of such space nearly doubled from 62.6 msf in 2019 to 111.9 msf only one year later—the largest amount of sublease available since Q3 2003. Sublease space

INDEPENDENT MARKET REPORT

had risen to 13.4% of all available space, up from 9.1% a year ago and the highest since the dot com bust from 2001 to 2003. San Francisco is experiencing the greatest impact from sublease space, which accounted for more than half (51.8%) of all the space on the market. Other markets experiencing a high level of sublease space include Midtown South Manhattan (40.9%), San Mateo County, California (33.7%), Puget Sound, Oregon (33.5%), and Austin (29.3%). The surge in sublease space suggests we will see increased downward pressure on rents in 2021.

Vacancy continues to surge: As demand for space was falling, the volume of new supply continued to increase as projects under construction were completed. The fourth quarter saw 13.0 msf of space delivered, the most for the year. This increase along with the decline in absorption led to a surge in vacancy across the nation. The national vacancy rate jumped from 14.4% in the third quarter to 15.5% in the fourth quarter, the largest increase in a single quarter since Q1 2002. A year ago, the national vacancy rate was 12.9%.

Markets that have experienced substantial declines in occupancy are among those with the largest increase in vacancy, including Midtown South Manhattan (+380 basis points (bps) from the third quarter to fourth quarter), San Francisco (+300 bps), Boston (+290 bps), and Seattle (+240 bps). A total of 78 markets reported a higher vacancy rate in the fourth quarter than in third quarter 2020.

Rents continue to rise: While vacancy rates surged upward, asking rents rose again to a record high of US$35.10 per square foot (psf) in 2020 — a 5.6% increase from a year ago. This is considered an anomaly that is unlikely to continue, given current and anticipated office market fundamentals.

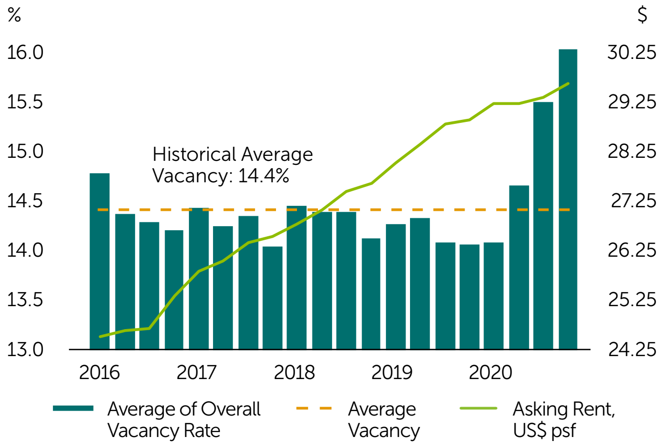
Capitalization rates hold steady: After two consecutive years of increases, the volume of office building sales decreased 39.8 percent in 2020. Despite the decline in volume, capitalization rates (cap rates) remained relatively steady for the fifth consecutive year, averaging approximately 6.5%.

US OFFICE MARKET OUTLOOK

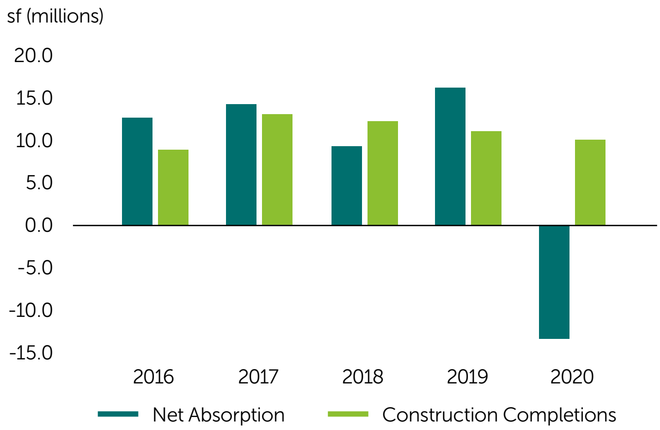
Despite anticipated economic growth, vacancy is likely to rise further in 2021 as the impact of job losses continues to be felt and the remote working dynamic works its way through the office sector. However, as the economy picks up so too will office leasing activity — a critical step in determining where the office leasing fundamentals will ultimately settle in. Asking rents are likely to decline in the next few quarters as owners face pressure from a rising volume of sublease space. Cushman & Wakefield anticipates that it will be a couple of years before national rental rates begin to appreciate again in the aggregate.

LOCAL MARKETS

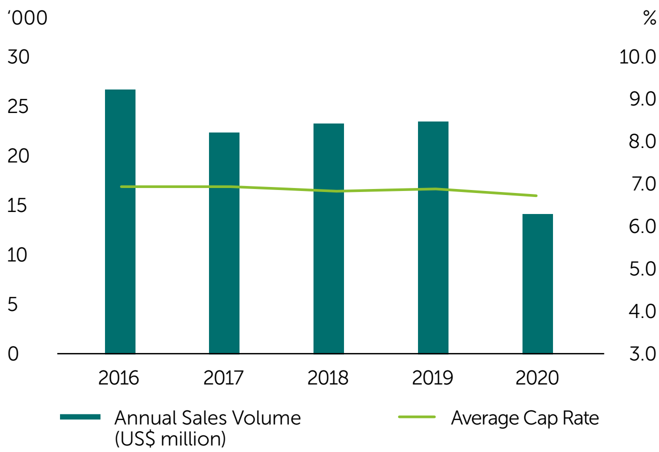
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Eleven 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

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

Consistent with national trends, the net absorption across the eleven markets plummeted year-over-year (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. Eight of the eleven markets experienced negative net absorption. Of note, those positive net absorption were San Antonio, Philadelphia, Suburban Virginia. Strong net absorption is projected in most markets in 2021.

Office construction activity is high across the eleven markets, with 10.9 msf under construction at the end of 2020, down slightly from 11.1 msf at the end of 2019.

Negative absorption and continued construction deliveries led to significant increases in vacancy for 2020. Vacancy rates for the eleven markets averaged 16.2% at the end of 2020, well above the five-year average of 14.4% and also up substantially from the 14.0% average recorded for the end of 2019.

Investment sales of office buildings were down for these eleven markets even more dramatically than the U.S. as a whole. Annual office investment sales fluctuated between US$23.9 billion and US$25.6 billion since 2016, with 2018 before peaking at US$31.9 billion in 2019. Volume dropped sharply to US$13.1 billion in 2010, a 58.9% decline from the prior year. Cap rates continued their gradual downward trend in 2020, ending the year at approximately 6.5%.

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
Vacancy Rate												
Q4 2019	12.9%	14.5%	18.2%	9.3%	9.9%	18.2%	12.2%	18.6%	15.5%	10.3%	9.2%	18.4%
Q4 2020	15.5%	17.7%	20.5%	10.4%	15.7%	20.8%	14.1%	19.4%	15.3%	15.7%	10.2%	18.6%
12-Month Forecast	▲	▲	▲	▲	▼	▲	▲	▼	▲	▼	▲	▲
YTD Net Absorption (sf)												
Q4 2019	58.9m	1,818k	4,519k	1,200k	774k	3,317k	955k	248k	-841k	665k	1,168k	2,234k
Q4 2020	-97.6m	-3,169k	-1,682k	-496k	-693k	-5,366k	-472k	-252k	22k	-1,268k	-124k	296k
12-Month Forecast	▼	▲	▼	▲	▼	▼	—	▲	▼	▲	▲	▲
Under Construction (sf)												
Q4 2018	130.0m	1,717k	5,808k	2,308k	3,029k	3,517k	1,846k	2,245k	1,085k	1,446k	2,014k	2,655k
Q4 2019	123.8m	1,435k	5,872k	906k	2,168k	4,243k	773k	2,036k	1,454k	197k	1,647k	2,614k
12-Month Forecast	▼	▼	▼	▼	▼	▼	▲	▲	▼	▲	—	▼
Average Asking Rent												
Q4 2019 (Annual psf)	US$33.23	US$28.62	US$27.09	US$24.39	US$24.12	US$26.68	US$20.62	US$27.49	US$26.97	US$52.68	US$21.07	US$33.57
Q4 2020 (Annual psf)	US$35.10	US$29.62	US$28.39	US$25.44	US$24.73	US$26.56	US$22.27	US$28.22	US$27.13	US$53.28	US$21.40	US$33.77
12-Month Forecast	▼	▼	—	▼	—	▼	—	▲	▼	▼	▲	—

INDEPENDENT MARKET REPORT

DENVER, COLORADO

Economic Indicators

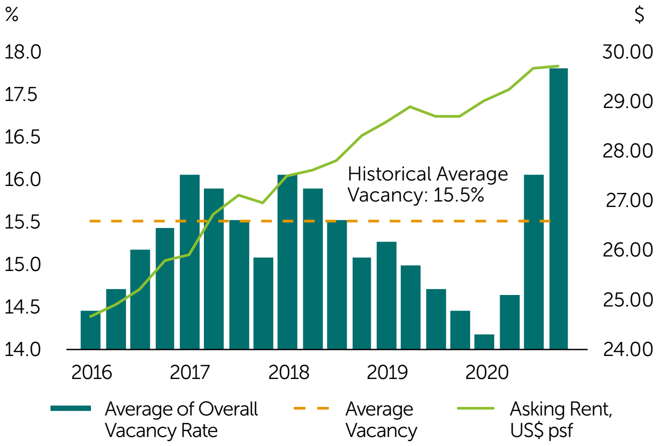
	Q4 2019	Q4 2020	12-Month Forecast
Denver MSA Employment	1,561k	1,493k	▲
Denver MSA Unemployment	2.3%	8.5%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

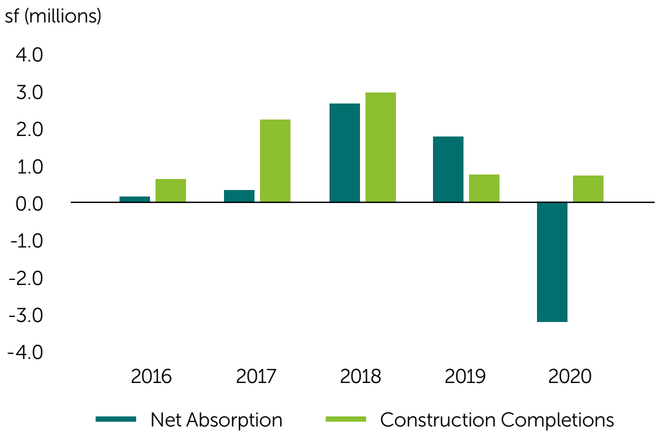
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	14.5%	17.7%	▲
YTD Net Absorption (sf)	1,818k	-3,169k	▲
Under Construction (sf)	1,717k	1,435k	▼
Average Asking Rent*	US$28.62	US$29.62	▼

* Rental rates reflect gross asking US$psf/year

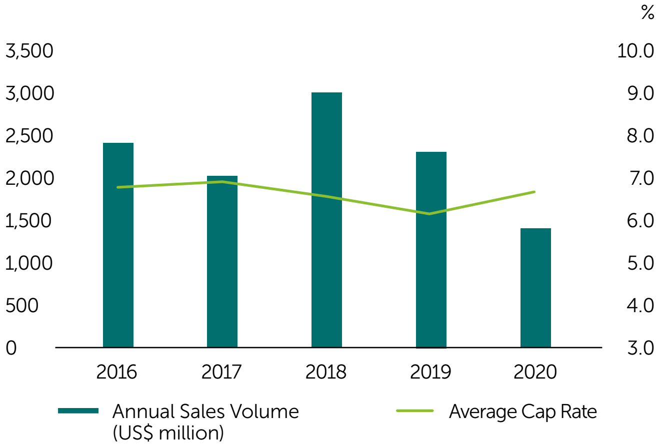
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Local Economy

Denver's economy closed out 2020 recording an approximate 4.4% YoY decrease in non-farm employment. In turn, Denver's unemployment rate increased 8.5%. However, Denver continues to benefit from evolving industry diversity and has increasingly been seen as a destination for the tech. Palantir's decision to relocate from Palo Alto to Denver in 2020 was one of the first signals that an exodus from Silicon Valley is on the horizon. Palantir joined other high-profile tech companies like Slack, Facebook, Amazon and Google that already have offices in the Denver area.

Office Market Trends

The Denver metro office market overall vacancy rate recorded an uptick of 320 bps YoY, closing out 2020 at 17.7%. This increase is partially attributed to vacant sublease space that continued to come to market during the fourth quarter of2020 and increased to over 3.0 msf.

Net absorption remained negative for the third consecutive quarter, with just under -1.6 msf of net absorption during fourth quarter of 2020 and -3.2 msf for the year. Throughout 2020, the Denver metro office market exhibited negative 3.2 msf of net absorption, representing the largest decrease since the Global Financial Crisis in 2008.

At the end of 2020, just over 1.4 msf of new under construction product remained around the Denver metro area and were collectively 32.0% preleased at the end of the fourth quarter of 2020. Overall, construction levels are expected to decrease throughout the remainder of 2021 and into 2022. Coupled with reduced demand in the marketplace, no new developments are expected to break ground over the next 12 to 18 months.

Denver's office market continued to exhibit flattening rental rates from the third to the fourth quarter, marginally increasing by half a percentage point to US$29.62 psf to close out 2020. Even with a volatile year, overall gross rental rates increased approximately 3.5% YoY. This is not expected to continue, and rental rates should soften as new construction delivers, and landlords realign rates with demand in existing product.

Vacancy in the Northwest submarket, Denver's most tech-centric corridor, averaged 14.5% at year end, down 80 bps YoY and 320 bps below the metropolitan area average. Average rental rates were towards the low end of the range for the Denver market, averaging US$26.17 psf. The Northwest submarket is one of the few experiencing a decline in vacancy for 2020, and it continues to attract technology tenants, with Peaksware's 46,700 sf lease being the largest new lease signed in Denver for the fourth quarter of 2020.

Office investment sales declined 40.4% YoY to approximately US$1.4 billion in 2020. This is the lowest level of sales volume for Denver since 2010 and represents the second consecutive year of decline. Cap rates were generally consistent with those of the past two years, averaging 6.7% over the 12 months ending with the fourth quarter of 2020.

Outlook

Leasing activity and absorption are expected to continue to be slow in Q1 2021 but should accelerate each quarter thereafter, supported by an improving economy. Sublease space will put downward pressure on pricing of space and rental rates are likely to be pushed downward in the near term.

ATLANTA, GEORGIA

Economic Indicators

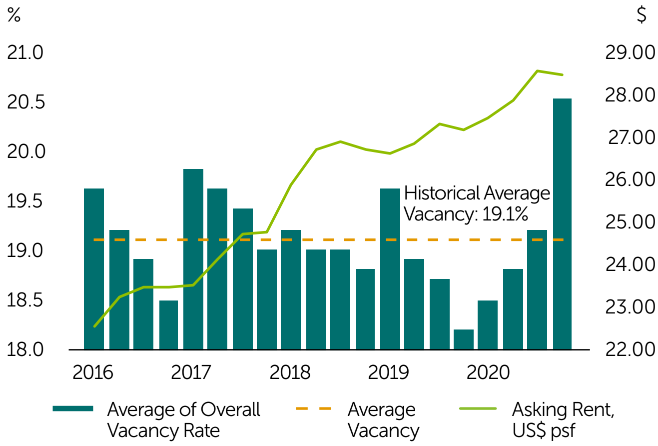
	Q4 2019	Q4 2020	12-Month Forecast
Atlanta MSA Employment	1,033k	961k	▲
Atlanta MSA Unemployment	3.2%	7.9%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

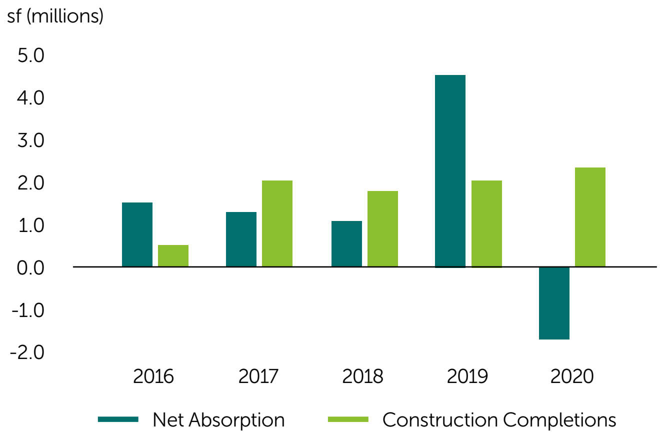
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	18.2%	20.5%	▲
YTD Net Absorption (sf)	4,519k	-1,682k	▼
Under Construction (sf)	5,808k	5,872k	▼
Average Asking Rent*	US$27.09	US$28.39	—

* Rental rates reflect gross asking US$psf/year

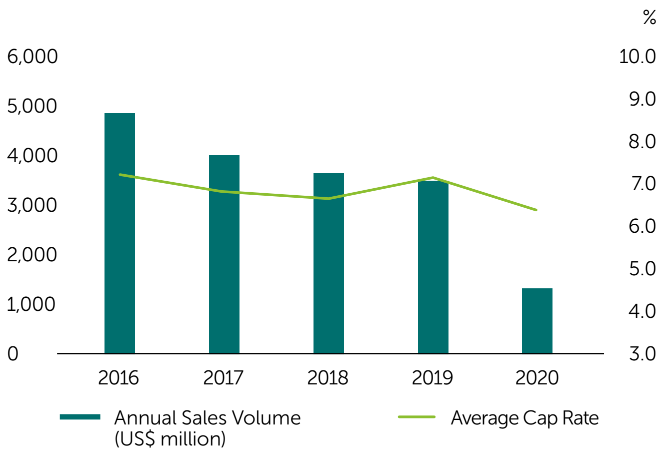
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

INDEPENDENT MARKET REPORT

Local Economy

As the global situation regarding COVID-19 remains fluid, the Atlanta economy has made significant progress toward recovery. After peaking in April at 12.7%, the unemployment rate dropped to 7.9% in the fourth quarter of 2020. Office-using employment, the strongest indicator of office real estate demand, also continued to outperform the national recovery.

Office Market Trends

Deemed an essential business, office construction continued mostly uninterrupted in Atlanta throughout 2020. Since the start of the year, 16 new construction or renovation projects were delivered, totaling 2.3 msf, with 79% of new product leased by the end of 2020. Nearly 5.9 msf are in the pipeline to be completed in Atlanta over the next 24 months. With only 33% of the active pipeline reported as vacant, projects continue to be delivered preleased as occupiers pursue a flight to first-generation space.

COVID-19's influence demonstrated tempered demand as many firms continue to delay decision-making or re-evaluate physical space needs. Leasing activity saw a 45.7% decrease YoY.

After reaching a cyclical low in late 2019, Metro Atlanta's overall vacancy rate climbed steadily each quarter of 2020. Much of this gradual increase can be attributed to the influx of sublease space added to the marketplace throughout 2020 as a result of COVID-19's impact on business operations. At the close of the fourth quarter of 2020, subleases accounted for 2.4% of the total market inventory. In addition, several long-expected, non-pandemic-related vacancies occurred in the fourth quarter. As a result, Metro Atlanta ended the fourth quarter of 2020 with a 20.5% overall vacancy rate, an increase of 230 bps YoY.

The average asking rate for fourth quarter of 2020 was US$28.39 psf—a 4.8% YoY uptick. The delivery of high-quality speculative construction projects throughout the year contributed to the continued rise of rents in pockets of Metro Atlanta. In the coming quarters, asking rent growth can be expected to taper off as the office market shifts in occupiers' favor.

Transaction volume for investment sales had trended downward over the previous five years, but the decline in 2020 was more dramatic, with Real Capital Analytics estimating sales at nearly US$1.4 billion for 2020, a 60.9% YoY reduction. Cap rates were down however, averaging 6.5% in 2020.

Outlook

Atlanta will continue to serve as a strong and viable option for corporate headquarters and hubs for firms evaluating their present locations. The Metro's deep talent pool, high-quality colleges and universities, low cost of living and doing business, and comparatively low density make the city attractive to national and global corporations.

With several sizable vacancies still on the horizon, the Metro Atlanta vacancy rate is expected to increase further throughout 2021. However, a healthy appetite for first-generation space will keep preleasing in the development pipeline strong. Heading into 2021, the rapid rental rate increases of the past several quarters will taper off, and rates will begin to shift in the favor of occupiers.

SACRAMENTO, CALIFORNIA

Economic Indicators

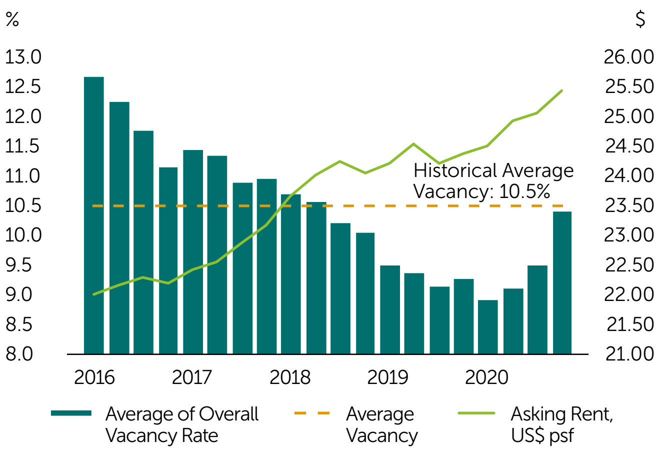
	Q4 2019	Q4 2020	12-Month Forecast
Sacramento MSA Employment	1,033k	961k	▲
Sacramento MSA Unemployment	3.2%	7.9%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

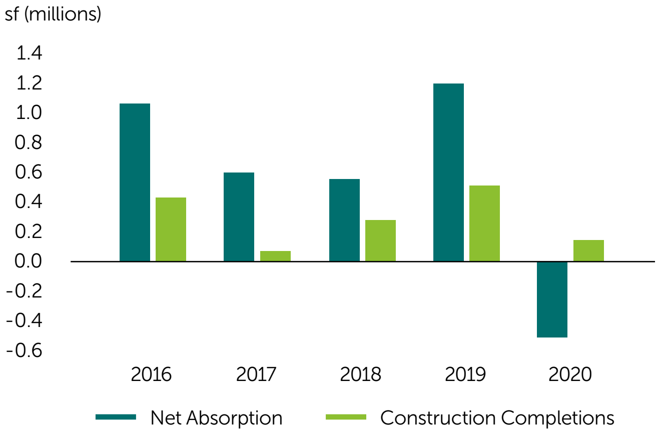
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	9.3%	10.4%	▲
YTD Net Absorption (sf)	1,200k	-496k	▲
Under Construction (sf)	2,308k	906k	▼
Average Asking Rent*	US$24.39	US$25.44	▼

* Rental rates reflect gross asking US$psf/year

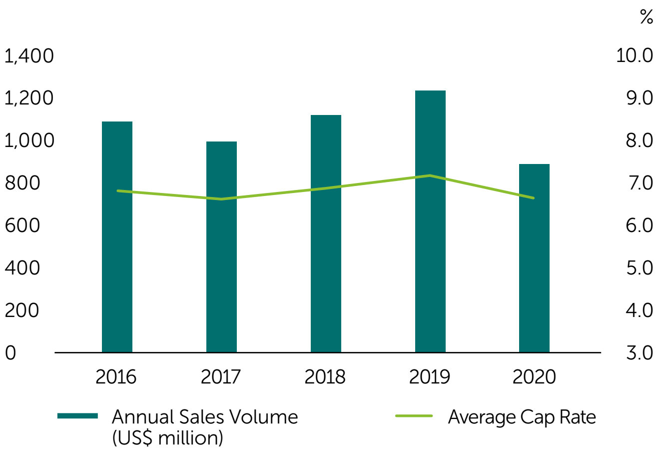
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

With the full impact of the COVID-19 pandemic still unknown, Sacramento's unemployment rate remains elevated, reaching 7.9% at the end of 2020, up 470 bps YoY. However, Sacramento remains a top relocation destination for people outside the market area, a good indicator of a quick post-pandemic recovery. Furthermore, recent and expected migration from the Bay Area could result in an increase in highly skilled employees to the region, improving its attractiveness to tenants that have yet to enter the market.

Office Market Trends

Net absorption was negative for the third consecutive quarter, ending the fourth quarter of 2020 at -496,000 sf and bringing the year-end total to -506,000 sf, the first negative annual figure since 2011. The market absorbed 1.2 msf in 2019.

While absorption was negative, construction completions were modest, with only 138,500 sf delivered in 2020. The 906,000 sf under construction is in line with annual absorption rates prior to 2020.

The vacancy rate increased by 110 bps YoY, ending 2020 at 10.4%. This represents the highest point since 2Q 2018, but remains well below the national average, indicating a reasonably balanced Sacramento office market.

Prior to the fourth quarter, sublease activity had relatively little impact on the market. While no large companies have left the region as a result of the pandemic, many are taking the opportunity to re-evaluate their real estate needs and reducing their office footprint. Sacramento remains in a much better situation than neighboring markets as the increase in sublease space is not expected to continue beyond the near term.

Despite increased vacancy, full service gross rental rates were up 4.3 percent YoY to US$25.44 psf. While asking rates are ticking upward, strike prices for new space remain largely consistent with pre-pandemic pricing. Additionally, landlords are increasingly incentivizing new tenants by increasing concessions in the form of free rent and tenant improvement allowances. Lease pricing is not expected to fall as it did during the Global Financial Crisis as market supply remains in relative balance.

Vacancy for the Folsom submarket averaged only 7.2% for the fourth quarter of 2020, with YTD negative absorption of -55,466 sf. Asking rental rates averaged US$28.08 psf, up 12.0% YoY and above average for the Sacramento market.

According to Real Capital Analytics, sale activity declined in 2020 to just under US$900 million. While this is down 27.9% from 2019, it is only slightly below the volume reported for 2016 through 2018 and significantly up from the annual levels recorded from 2008 through 2015.

Outlook

While the pandemic has had an impact on the office market, Sacramento still has reasons for optimism. Sublease activity, while increasing, is not driven by lay-offs or company's closing doors but rather redistributing resources. Lease rates are holding, particularly in the CBD where rates remain near the top of the market. Demand is expected to slowly return to historical norms in the coming periods as the vaccine becomes more widely distributed and occupiers establish firm return to work plans.

INDEPENDENT MARKET REPORT

SALT LAKE CITY, UTAH

Economic Indicators

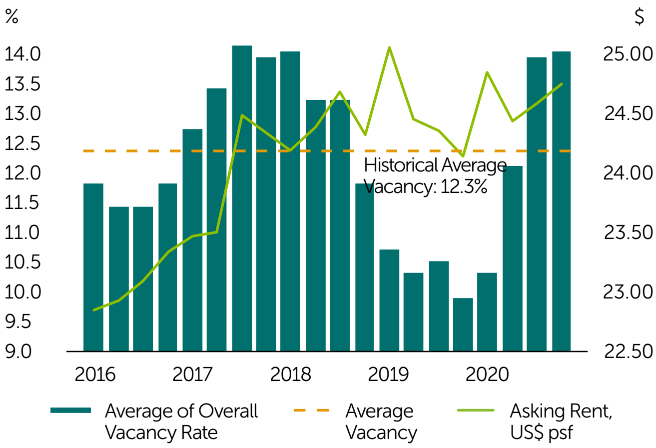
	Q4 2019	Q4 2020	12-Month Forecast
Salt Lake City MSA Employment	772k	768k	▲
Salt Lake City MSA Unemployment	2.1%	3.5%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

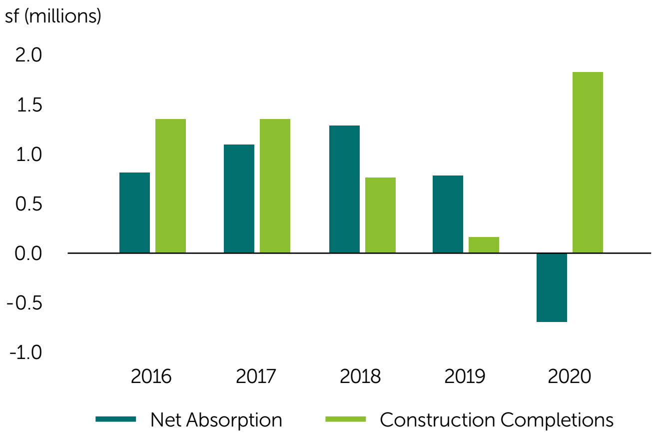
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	9.9%	15.7%	▼
YTD Net Absorption (sf)	774k	-693k	▼
Under Construction (sf)	3,029k	2,168k	▼
Average Asking Rent*	US$24.12	US$24.73	—

* Rental rates reflect gross asking US$psf/year

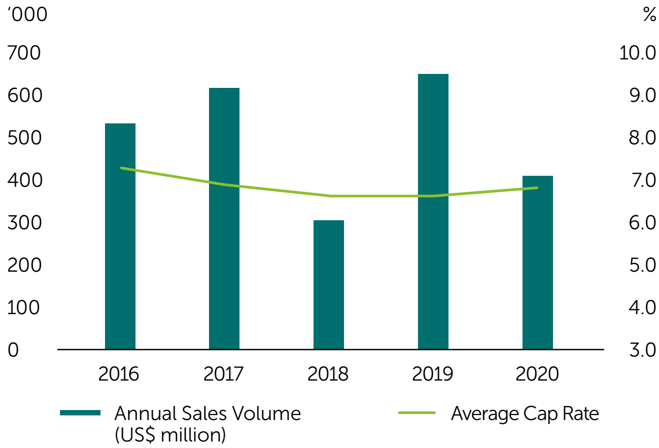
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

The Salt Lake City employment market has been affected by COVID-19 stay-at-home orders, resulting in loss of 13,800 jobs or -1.8% year-over-year (YoY) through November 2020. Of the 13,800 jobs lost, 10,500 (-15.8% YoY) or 76.1% of losses were in the leisure and hospitality sector. All employment sectors are expected to grow at a combined rate of 2.5% in 2021 and 3.3% in 2022. Salt Lake City's economy of $84.0 billion as measured by gross regional product is forecasted to grow 5.7% in 2021 and 6.3% in 2022, above its 10-year average of 3.0%.

Office Market Trends

The overall vacancy rate, including sublease, increased 580 bps YoY to 15.7% during Q4 2020. Tenants returned 432,362 square feet (sf) in Q4 2020, bringing 2020 annual losses to 692,640 sf returned. The year was off to a good start in Q1 as occupancy grew by 225,000 sf, followed by three quarters of occupancy losses, combined 917,500 sf.

Leasing by tech tenants continues to drive positive absorption. Salt Lake City has established itself as one of the top 10 tech markets in the U.S. with 9.6% of total employment concentrated in the technology sector compared to 5.0% nationwide. Among tech tenants relocating and expanding in the region are eBay, Overstock.com, Qualtrics, L3 Technologies and Adobe.

Despite an increase in vacancy, overall average asking rent for all classes combined increased 2.5% YoY. While landlords face increased exposure due to softening market, tenant preference for well located, amenity-rich product continues to drive rents upward.

Over 1.8 msf of new inventory (12 projects) was delivered during 2020, highlighted by several Class A projects, including Fairbourne Station located at 3535 S. Market Street in the Central West Submarket. The nine-story, 233,511-sf building completed in Q4 2020 has not yet identified an anchor tenant. Salt Lake City's development pipeline remains active at 2.2 msf currently under construction across 10 projects. Over 41% are pre-leased, and 1.7 msf (8 projects) are expected to be deliver during 2021.

According to Real Capital Analytics, sale activity declined in 2020 to just under US$410 million. While this is down 37.3% from 2019, it is only slightly below the volume reported for 2016 through 2017 and is significantly up from the annual levels recorded from 2008 through 2015.

Outlook

Salt Lake City's office market fundamentals moderated in 2020, as rising positivity rates for COVID-19 have delayed 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

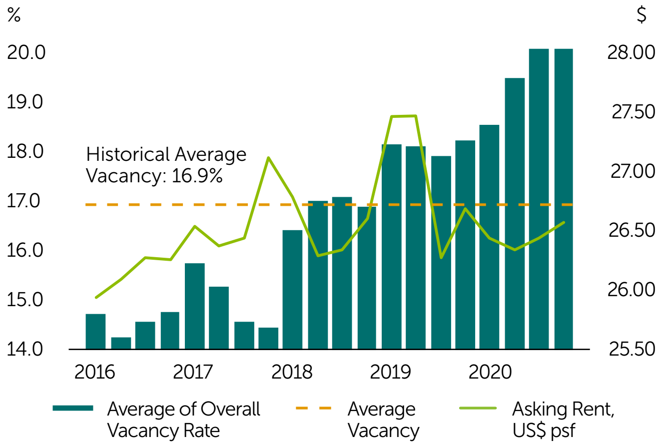
	Q4 2019	Q4 2020	12-Month Forecast
Dallas-Ft Worth MSA Employment	3,876k	3,794k	▲
Dallas-Ft Worth MSA Unemployment	2.9%	6.3%	▲
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

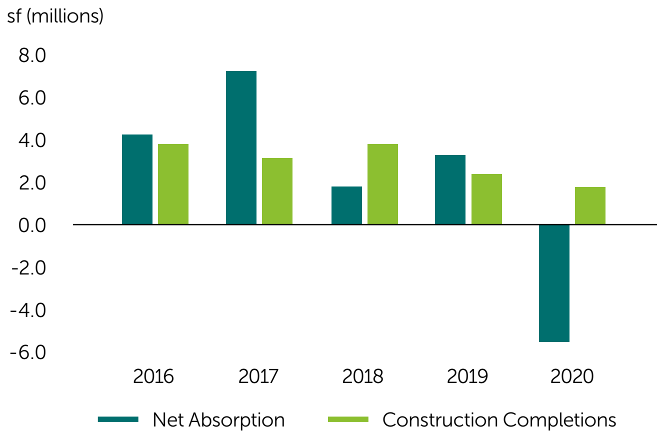
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	18.2%	20.8%	▲
YTD Net Absorption (sf)	3,317k	-5,366k	▼
Under Construction (sf)	3,517k	4,243k	▼
Average Asking Rent*	US$26.68	US$26.56	▼

* Rental rates reflect gross asking US$psf/year

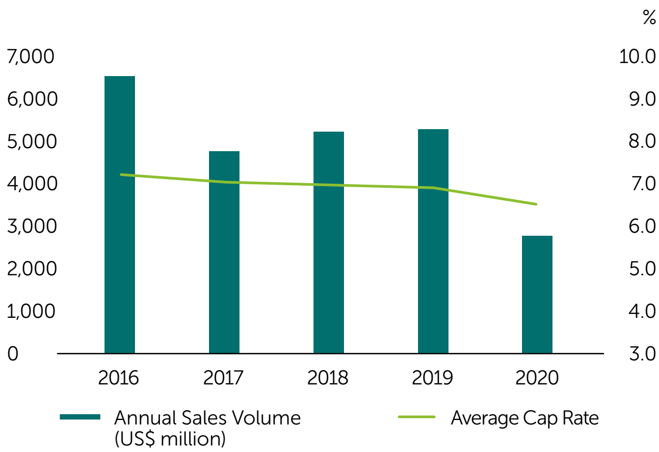
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

INDEPENDENT MARKET REPORT

Local Economy

As it deals with the effects of COVID-19, the Dallas-Fort Worth (DFW) economy continued its recovery in the fourth quarter of 2020. While the unemployment rate remains high relative to last year, the area added 47,949 jobs in the fourth quarter, bringing the region close to its pre-pandemic levels. DFW's population increased by 121,603 people YoY and added 29,070 in the fourth quarter alone. As of December 2020, the population reached a new high of over 7.8 million residents.

Office Market Trends

Deemed an essential business, construction has continued mostly uninterrupted in DFW. In 2020, the market delivered nearly 1.8 msf of new product. Currently there are 4.2 msf under construction and to be completed over the next 24 months. With just over half of under construction inventory reported as vacant, projects continued to be delivered preleased as occupiers pursued a flight to quality. However, 2020's 48% decrease in leasing activity when compared to 2019 has also led to a drop in preleasing in DFW relative to last year.

The DFW office market had four consecutive quarters of negative occupancy growth, ending 2020 with absorption of negative 5.4 msf. This number is largely driven by companies downsizing their real estate space by consolidating their employees into fewer locations, and/or putting part of their space up for sublease.

Vacancy ended the year up 260 bps YoY, at 20.8%. Despite elevated levels of sublease space, direct spaces represented the bulk of the market vacancy at 19.1% (46.0 msf), while sublease space represented 1.7% (4.1 msf) of market vacancy. Because most new projects are delivered as Class A inventory, Class A space held the highest overall vacancy at 21.4%, while Class B and C trailed at 20.4% and 15.9%, respectively. The Dallas submarkets with the lowest overall vacancy rates included Preston Center (11.2%), Lewisville/Carrollton (15.2%) and Legacy/Frisco (16.5%).

Overall rental rates remained nearly flat, decreasing by just 0.4% YoY to US$26.56 psf on an annual full-service basis. Rather than lowering asking rates, landlords are offering competitive concession packages which include free rent, additional tenant improvement dollars and abated parking fees. As expected, Class A registered the highest average asking rate at US$31.03 psf, while Class B and C reported more economical rates of US$20.31 and US$17.39, respectively.

Like most other markets, investment sales activity was suppressed in 2020, with US$2.8 billion in office investment sales, down 47.1% YoY and the lowest level since 2012. Average cap rates were down slightly at 6.6%.

Outlook

While the economy weakened in 2020, the fourth quarter saw a continuation of DFW's recovery. Sublease availability leveled off in the fourth quarter, and the fact that space is no longer coming to market at a rapid pace is a welcome sign for the DFW office market. Though absorption remained negative, leasing activity continues to increase as companies and people ease back to work. A continuation of this trend into 2021 bodes well for the state of the market. The long-term outlook for the region remains positive, especially compared to other large, US metro areas.

ST LOUIS, MISSOURI

Economic Indicators

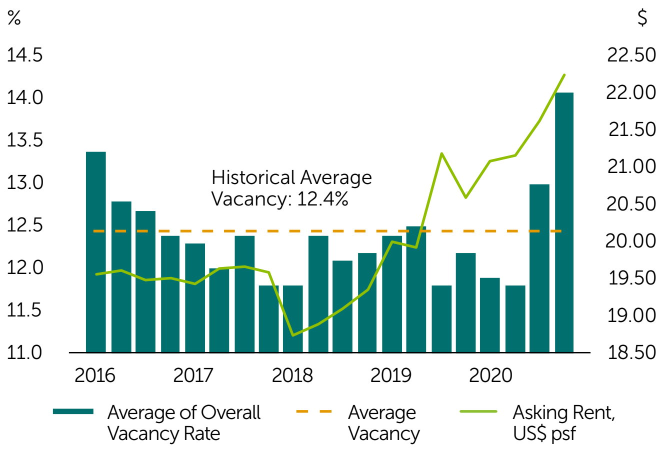
	Q4 2019	Q4 2020	12-Month Forecast
St Louis MSA Employment	1,400k	1,336k	▲
St Louis MSA Unemployment	3.3%	5.9%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

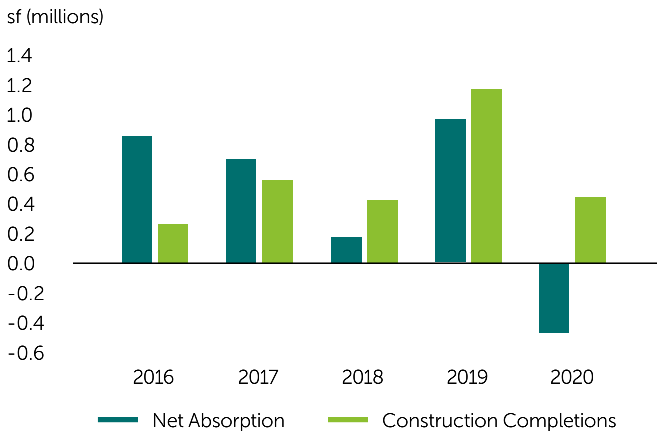
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	12.2%	14.1%	▲
YTD Net Absorption (sf)	955k	-472k	—
Under Construction (sf)	1,846k	773k	▲
Average Asking Rent*	US$20.62	US$22.27	—

* Rental rates reflect gross asking US$psf/year

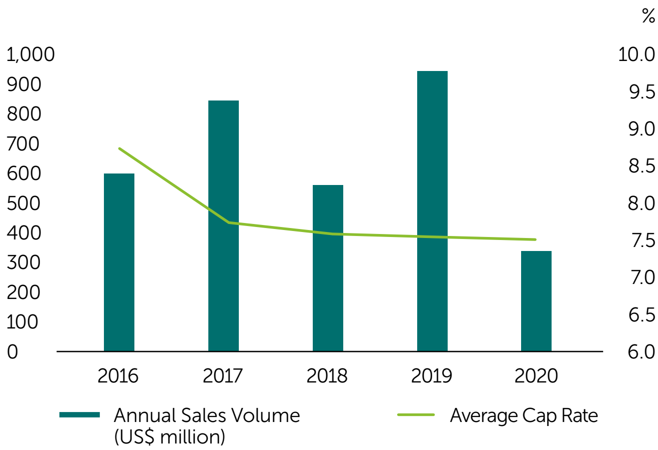
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

After peaking at 11.6% unemployment in the second quarter, the St. Louis regional workforce bounced back by adding 88,500 jobs over the remainder of the year. Notably for the office sector, office-using employment rebounded by 10,000 jobs but remains below pre-pandemic levels. Less than a year after the global pandemic put the brakes on the largest economy in the world, the U.S. unemployment rate ended 2020 at 6.7%, with local unemployment in St. Louis settling at 5.9%.

Office Market Trends

Across the St. Louis region, this shift has been most visible through the spike in sublet inventory. Since year-end 2019, the amount of space available for sublease increased by roughly 463,000 square feet (sf) or 93.3%. However, this activity has not been ubiquitous as roughly 83.0% of sublease space added to the market in 2020 were limited to just three submarkets:

- In the City, Ameren put roughly 98,000 sf back on the market in November of 2020. This comes after the firm signed a 5-year lease for the space at 800 Market in mid-2019. The additional space represents roughly 53.0% of new sublet inventory in the City.
- In North County, Magellan Health put approximately 120,000 sf of its fully occupied office building back on the market, representing 70.0% of the North County sublease increase in 2020.
- In West County, Ascension put its 62,000-sf space on the market at 11775 Borman after the company announced it was shifting a component of its local workforce to a WFH model.
- Year-over-year, overall asking rates weighted on available square footage grew by 7.3%. The considerable growth over the course of 2020 has been in large part the result of top-tier new supply added to the market. In fact, a handful of these market-moving availabilities are commanding a significant premium over average asking rates. In West County, the newly delivered Edge@West is asking $37.75 per square foot (psf) on approximately 80,000 sf of availability (a $14.75-psf premium above the market average). In Clayton, 150,000 sf of newly added direct space at 7676 Forsyth is asking $42.50 psf (an $11.12-psf premium to market average).

According to Real Capital Analytics, sale activity declined in 2020 to just under US$350 million. While this is down 63% from 2019, it is also slightly below the volume reported for 2016 through 2018 and is significantly up from the annual levels recorded from 2008 through 2015.

Outlook

Look for continued activity in key St. Louis industry clusters including Ag-Tech, Bio-Tech, Geospatial Technology, and activity tied to NGA Contracts.

Expect continued sublease pressure as the global office market navigates the pandemic and firms dust off their return-to-work plans in 2021.

INDEPENDENT MARKET REPORT

SUBURBAN MARYLAND

Economic Indicators

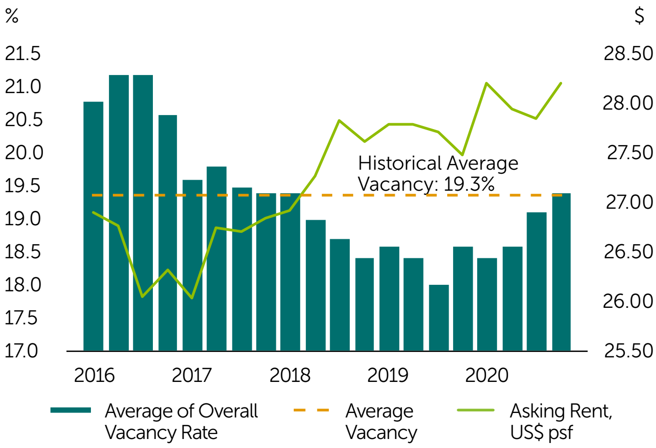
	Q4 2019	Q4 2020	12-Month Forecast
(Suburban MD) WA-Arlington-Alexandria MSA Employment	3,479k	3,363k	▲
(Suburban MD) WA-Arlington-Alexandria MSA Unemployment	2.6%	5.6%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

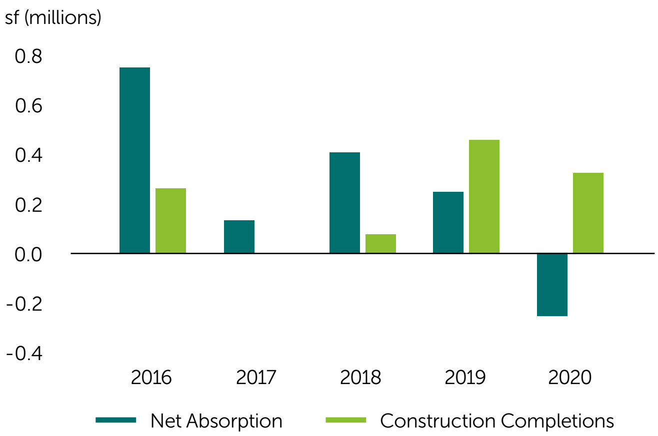
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	18.6%	19.4%	▼
YTD Net Absorption (sf)	248k	-252k	▲
Under Construction (sf)	2,245k	2,036k	▲
Average Asking Rent*	US$27.49	US$28.22	▲

* Rental rates reflect gross asking US$psf/year

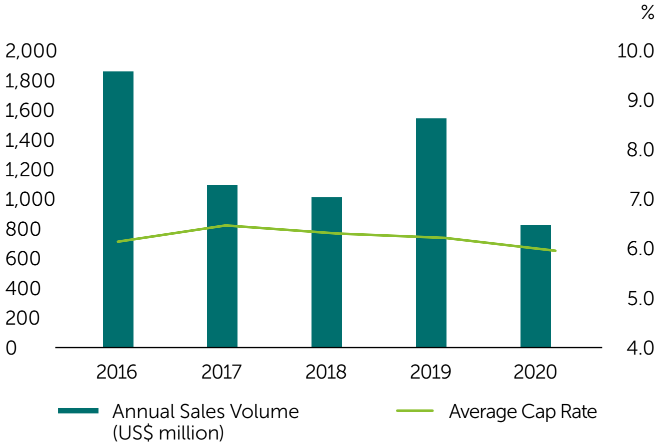
Overall Vacancy and Asking Rents



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

Overall vacancy in Suburban Maryland in the fourth quarter is 19.4%, which is 80 bps above the prior year. Beltsville/College Park inventory increased by 111,276 square feet (sf) as 4600 River Road delivered in Q4 2020. Corporate Office Properties Trust is the developer/owner for this project. Cybrary has already leased space in the building, but there is still 46,253 sf available, making the property 42% vacant. Currently under construction is 1.5 msf combined at 7272 Wisconsin Avenue, 7373 Wisconsin Avenue, and 7750 Wisconsin Avenue in Bethesda/Chevy Chase. With delays in construction, delivery dates have now been pushed back to Q1 2021, Q3 2021 and Q1 2022, respectively. One Capital Gateway, fully leased to the Department of Homeland Security, is scheduled to deliver 574,767 sf in Q1 2021.

The 2020 total new leasing activity was 2,310,585 sf, which is a year-over-year (YoY) increase of 6.4%, due to uniquely strong first and fourth quarters in 2020. The largest new lease in Suburban Maryland for the fourth quarter comes at 700 Quince Orchard Road, where Novavax leased 170,000 sf. As a result of the Novavax lease, Gaithersburg led all Suburban submarkets in new leasing activity in the fourth quarter with 196,338 sf.

Overall absorption closed Q4 2020 at negative 113,409 sf, bringing the year-to-date (YTD) total to negative 252,400 sf. This negative absorption brings overall Suburban Maryland vacancy to 19.4%, which is 30 bps higher than last quarter. Despite the negative absorption and higher vacancy, strong leasing activity buoyed rental rates. Overall average rental rates in Suburban Maryland closed Q4 2020 at $28.22 per square foot (psf) on a full-service basis. This rate is an increase of $0.35 psf from Q3 2020. In comparison to a year ago, the Q4 2020 rental rate is a YoY increase of $0.73 psf.

Real Capital Analytics estimated investment sales volume at approximately US$832 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. Cap rates continued a slight downward trend, averaging approximately 5.9% for the year.

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 2021 as the lack of new speculative construction protects the market from exposure to oversupply.

PHILADELPHIA, PENNSYLVANIA

Economic Indicators

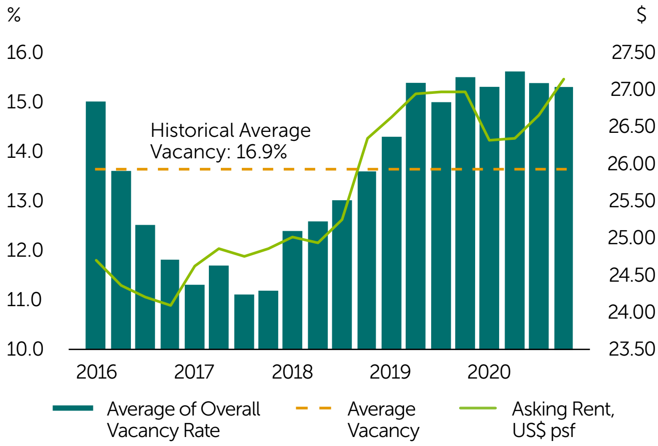
	Q4 2019	Q4 2020	12-Month Forecast
Philadelphia MSA Employment	3,006k	2,791k	▲
Philadelphia MSA Unemployment	4.0%	6.5%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

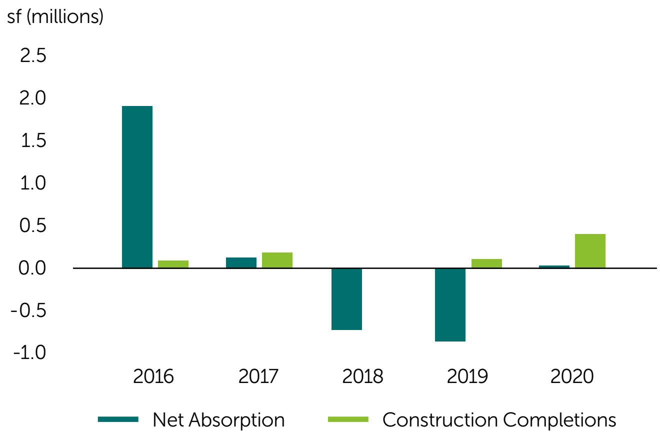
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	15.5%	15.3%	▲
YTD Net Absorption (sf)	-841k	22k	▼
Under Construction (sf)	1,085k	1,454k	▼
Average Asking Rent*	US$26.97	US$27.13	▼

* Rental rates reflect gross asking US$psf/year

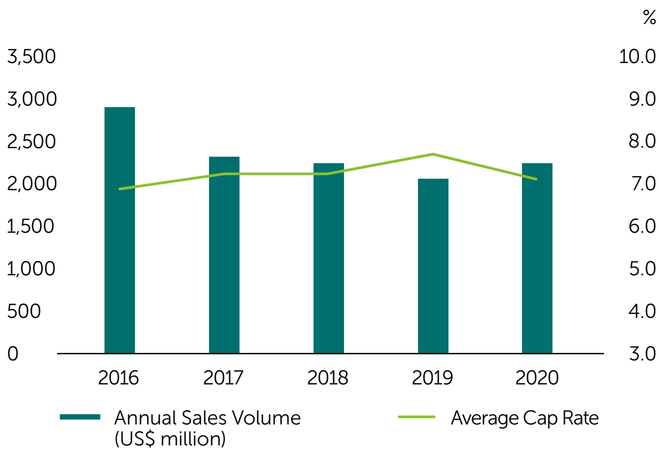
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

INDEPENDENT MARKET REPORT

Local Economy

Since the onset of the COVID-19 pandemic in March 2020, the Philadelphia MSA lost 150,000 jobs, with 23.8% of those in the leisure and hospitality sector. The Philadelphia region's unemployment rate of 6.5% in the fourth quarter of 2020 was 330 bps higher than the same period a year ago. Office occupying sectors outperformed the overall regional economy, with jobs in those industries dropping by 3.9% since February, compared to total nonfarm jobs which dropped by 5.1% during this period. Since the government-mandated halt to elective procedures was lifted in May 2020, the education and health services sector, the largest in the Philadelphia region, has been rebounding strongly, adding 55,000 jobs back to the regional economy during this period. This represents almost two-thirds of the jobs lost by the sector since the onset of the pandemic, with education and health services jobs now down only 2.9% since February.

Office Market Trends

Leasing activity in the Philadelphia suburbs totaled 1.9 msf in 2020, 42.6% less than the previous three-year average for the market. This decrease in leasing volumes is a result of tenants unwilling to make long-term real estate commitments given the market uncertainty caused by COVID-19. Kinetic Ceramics, a manufacturer of piexoelectric products, signed a 29,000 square foot (sf) lease at Spring House Innovation Park, the largest new lease of Q4 2020. The tenant is relocating its headquarters from the Navy Yard in the city of Philadelphia to the recently redeveloped suburban innovation campus in Lower Gwynedd.

Despite limited activity, net absorption was positive 22,400 sf in 2020, driving overall vacancy to 15.3%, a 20 bps drop from year-end 2019. Positive absorption was driven by the delivery of a new 378,000 sf fully occupied office building at Ellis Preserve in Delaware County. The build-to-suit building was developed by Equus Capital Partners for AmeriHealth Caritas' new corporate headquarters. The move was a planned pre-COVID-19 expansion for the company that will be keeping 373,000 sf at Airport Business Center, also in Delaware County. Keystone Property Group will be renovating the space AmeriHealth currently occupies there to house key business units and operational functions for the company. Expect the decrease in activity as a result of COVID-19 in 2020 to affect vacancy in 2021, with absorption lagging leasing.

According to Real Capital Analytics, sale activity increased in 2020 to just under US$2.25 billion. While this is up 9.0% from 2019, 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, 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

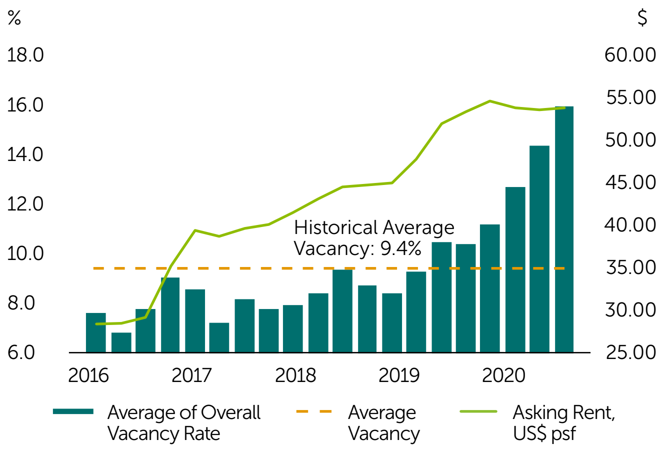
	Q4 2019	Q4 2020	12-Month Forecast
San Francisco-Oakland MSA Employment	2,515k	2,271k	▲
San Francisco-Oakland MSA Unemployment	2.2%	7.0%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

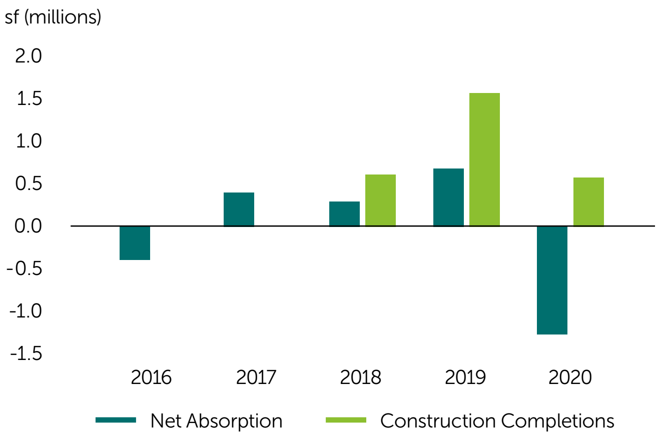
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	10.3%	15.7%	▼
YTD Net Absorption (sf)	665k	-1,268k	▲
Under Construction (sf)	1,446k	197k	▲
Average Asking Rent*	US$52.68	US$53.28	▼

* Rental rates reflect gross asking US$psf/year

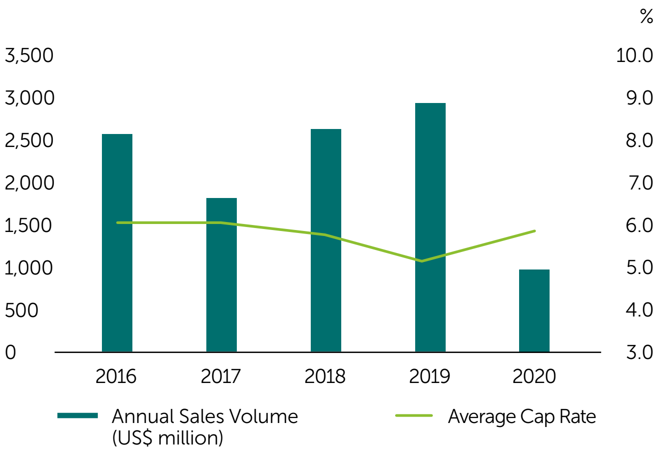
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

The Oakland market recorded negative job growth with over 123,000 jobs (-10.4%) lost year-over-year (YoY), bringing regional employment to just over 1.06 million. With this decline, the unemployment correspondingly rose to 7.0%, above the national rate of 6.7%. Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June of 2020. But, until there is a public health resolution to the pandemic and vaccinations become widely available, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident.

Office Market Trends

The vacancy rate in the Oakland office market was 15.7% at the end of the year, up 150 bps from the previous quarter and up a substantial 540 bps from this time last year. While new construction and renovation projects accounted for some of this increase, the vast majority of the 1.8 msf added to the market in the past year were givebacks of existing space. Vacancy is expected to continue rising in the coming year, and with no major projects in the pipeline delivering in the next year, this rise will be manifested exclusively in givebacks of existing space.

Though space continued flooding the market, rents nevertheless ticked up, closing the year at $53.28 per square foot, up $0.60 from this time last year. Despite the overall rise, rents are expected to decline as adjustments typically take several quarters to respond to a market correction as we have seen with the pandemic-induced vacancy increase. The magnitude of this decline will hinge on ongoing efforts to reopen the local and national economies.

Net absorption for the year totaled negative 1.3 msf, nearly erasing the occupancy gains of the previous three years. While there has been a decrease in traditional office demand, life sciences demand has steadily grown over the course of 2020, and of the 1.1 msf of requirements we are tracking in the marketplace, roughly 35 percent are life-science users, indicating a potential structural change to the market tenant mix in the near future. In recent quarters, the East Bay has captured a growing number of food-tech requirements in the life sciences sector, and we expect this trend to continue going into 2021.

Outlook

Net absorption totaled negative 470,346 sf in the fourth quarter, and negative 1.3 msf for the year, essentially erasing the previous three years of occupancy gains. Decline is expected to be more muted in coming quarters, though still negative.

Despite rising vacancy, average asking rents closed out the third quarter at $4.44 psf, having increased $0.05 YoY. Rents will likely decline in the coming quarters, though will remain propped up by high-end blocks of recently renovated sublease space.

Life sciences requirements currently make up 35% of the total volume of tracked demand and will likely account for a greater share in the coming quarters.

INDEPENDENT MARKET REPORT

SAN ANTONIO, TEXAS

Economic Indicators

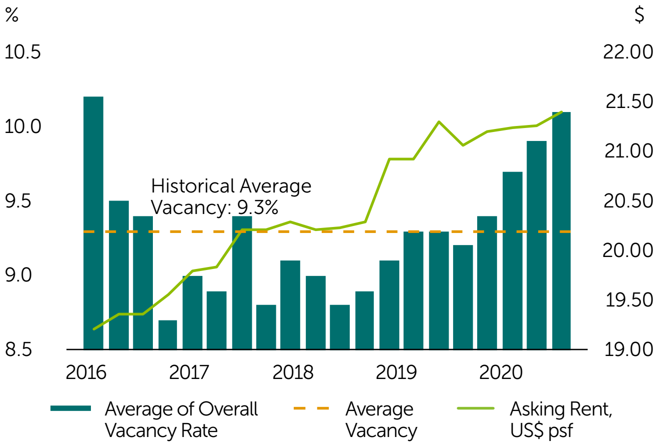
	Q4 2019	Q4 2020	12-Month Forecast
San Antonio MSA Employment	1,100k	1,063k	▲
San Antonio MSA Unemployment	2.8%	6.4%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

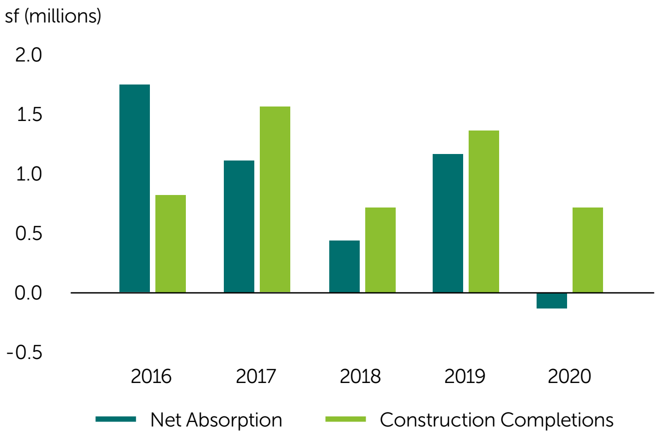
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	9.2%	10.2%	▲
YTD Net Absorption (sf)	1,168k	-124k	▲
Under Construction (sf)	2,014k	1,647k	—
Average Asking Rent*	US$21.07	US$21.40	▲

* Rental rates reflect gross asking US$psf/year

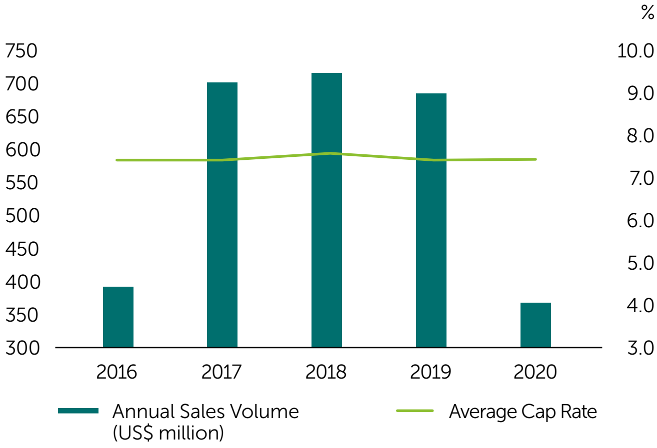
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

San Antonio's defense sector may provide some stability during the coronavirus-induced recession, however, given the structure of the private sector economy, it's likely that the downside risks outweigh the upside. About a quarter of the employment base is in high-risk sectors including leisure and hospitality, retail trade, and oil and gas extraction. With the recent oil crash, job losses are starting to mount in that sector as Haliburton is shedding nearly 400 jobs and Marathon Petroleum has already subleased a few floors at their office in Far North San Antonio.

Office Market Trends

San Antonio's office market remains steady. Unlike other markets, San Antonio hasn't experienced wide-spread demand losses or rapidly increasing sublease space, which has kept occupancies in the relatively tight range they've been in over the past decade. That's likely the result of the fact that San Antonio's economy is driven primarily by defense, tourism, and healthcare—all light office-using sectors—as well as the energy and office support services sectors.

San Antonio's vacancy has vacillated between 9% and 11% since 2008. While that consistency has been frustrating for landlords, it could prove to be a saving grace during this recession or economic slowdown. It's unclear whether working from home will reduce demand for office space, or if companies will need to take additional space to accommodate social distancing.

Based on pandemic-induced uncertainty, San Antonio's rents have actually fallen slightly over the past year. While there will likely be more weakness over the near term, the longer-term outlook is relatively bright. The only thing that could weigh on the market is another wave of construction, though that hasn't weighed on rent growth for the past decade. The market seems to have bucked its long-term trend. In most previous cycles, the ease of construction sapped landlords' ability to push rents, but rent growth topped 3% every year from 2014 through the end of the last cycle.

Construction remains relatively constant around San Antonio, even during the coronavirus pandemic. After delivering a number of projects in Northwest San Antonio, the CBD and the adjacent Pearl district are seeing the bulk of this round of construction, with much of the product like the headquarters for Credit Human and Jefferson Bank representing the roughly 65% of the preleased product underway.

According to Real Capital Analytics, sale activity declined in 2020 to just under US$370 million. While this is 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

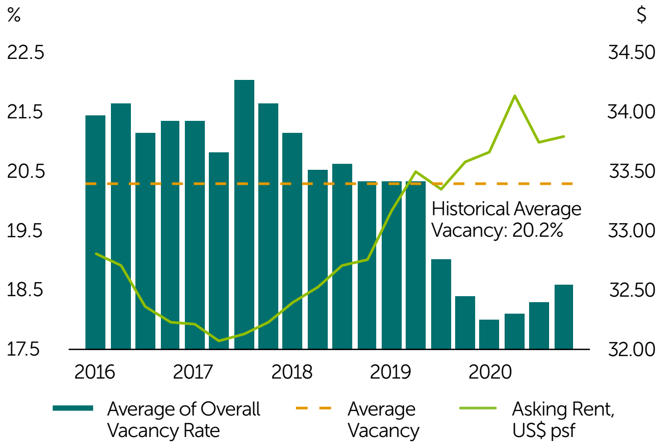
	Q4 2019	Q4 2020	12-Month Forecast
Virginia MSA Employment	799k	772k	▲
Virginia MSA Unemployment	2.7%	5.3%	▼
US Unemployment	3.6%	6.7%	▼

Office Market Indicators (Overall, All Classes)

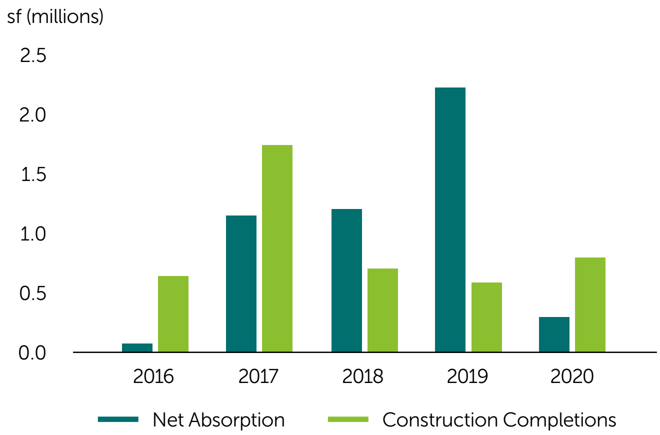
	Q4 2019	Q4 2020	12-Month Forecast
Vacancy	18.4%	18.6%	▲
YTD Net Absorption (sf)	2,234k	296k	▲
Under Construction (sf)	2,655k	2,614k	▼
Average Asking Rent*	US$33.57	US$33.77	—

* Rental rates reflect gross asking US$psf/year

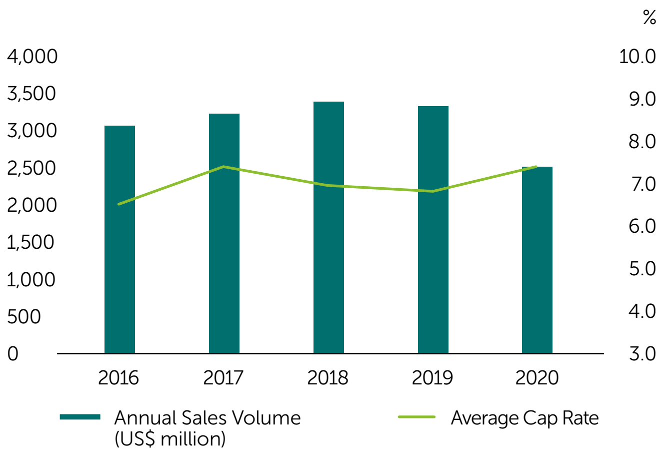
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

INDEPENDENT MARKET REPORT

Local Economy

The suburban Virginia market has been strengthened by over 27,000 new jobs creased within 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

For the second consecutive quarter at year-end, no new office space delivered to the Northern Virginia submarket. The largest space currently under construction is Amazon HQ2 in Pentagon City, which is scheduled to deliver 1,050,000 square feet (sf) in Q1 2023. The JBG Smith project is already fully leased to Amazon. Though there was no new construction vacancy to negatively impact absorption, overall absorption in Northern Virginia was negative 274,243 sf in Q4 2020. This brings the YTD total to a positive 296,335 sf. With 4.1 msf currently under construction in Northern Virginia, new leasing activity must intensify to keep vacancy in-check.

Northern Virginia saw 1,232,819 sf of new leasing activity in Q4 2020, bringing the YTD total to 5,157,876 sf. The Q4 2020 figure is substantially larger than that of Q3 2020, which was only 745,555 sf. The yearly total was a year-over-year (YoY) decrease of 34%, which is expected given current market conditions. The largest new lease of the quarter comes at Reston Gateway, where Volkswagen signed for 196,000 sf. The second largest new lease of the quarter was the Department of Defense taking 70,056 sf at 8111 Gatehouse Road. Raytheon signed the largest renewal at 100 Wilson Boulevard for 116,000 sf.

Overall average vacancy rates in Northern Virginia rose 30 bps from Q3 2020 to Q4 2020, finishing the year at 18.6%, a YoY increase of 20 bps. Despite increasing vacancy and negative absorption in the fourth quarter, overall average rental rates rose $0.04 in Q4 2020 to $33.77 per square foot (psf) on a full-service basis. The increase in rental rates likely comes as a result of the uptick in leasing activity this quarter as owners feel more comfortable with tenant demand. Rosslyn had the highest overall average rental rates of all the Northern Virginia submarkets, closing Q4 2020 at $43.31 psf. Rosslyn has also had the highest rates in Northern Virginia in each quarter of 2020.

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.

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 2021 as vacancy rates decrease as significant development occurs..

Use and Reliance

This Independent Market Review (IMR) was prepared and compiled by Cushman & Wakefield Western, Inc. and affiliates (Cushman & Wakefield). The content of this IMR is for information only and should not be relied upon as a substitute for professional advice. KBS US Prime Property Management Pte. Ltd. (as Manager of PRIME) is the only identified Intended Users of the IMR. The IMR is to be used in connection with the publication of an annual report. C&W disclaims any and all liability to any party with regard to the IMR other than the Intended Users identified herein.

The information contained within this IMR is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

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

PROACTIVE INVESTOR ENGAGEMENT AND TRANSPARENT DISCLOSURES

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. This has allowed the Manager to promote a better understanding of the resiliency of PRIME's portfolio and an enhanced appreciation of its investment merits.

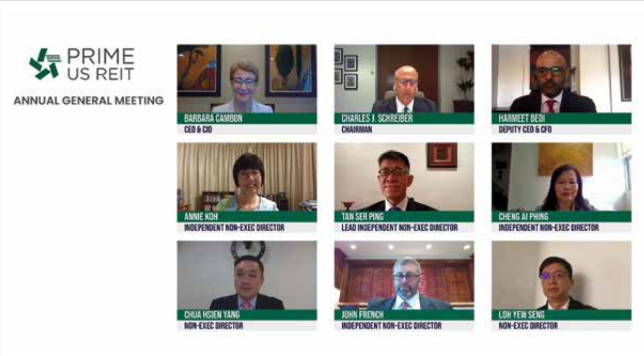
Despite a challenging year and the adoption of Semi-Annual Reporting, the Manager continued to proactively engage with Unitholders and the investment community through quarterly business updates, results briefings and corporate days organised by financial institutions and SGX, via various virtual meeting platforms as large-group physical meetings were restricted amidst the COVID-19 situation.

The Manager's investor engagement effort in 2020 has been across geography and investor type. The Manager presented at over 20 group investor meetings and conducted multiple one on one meetings to cover a broad spectrum of institutional, corporate, family office, private wealth and retail investors across Asia including Singapore, Malaysia, Thailand, Hong Kong, Taiwan and Korea. The proactive engagements and regular communications with capital market stakeholders and specifically the sell side analyst community, who we engaged at least once a quarter, have earned the Manager three new analysts covering PRIME positively and doubled total analyst coverage on PRIME to six. In 2020, Credit Suisse, Phillip Capital and RHB initiated covered on PRIME, adding to the coverage from DBS, Maybank Kim Eng and Bank of America.

As part of the Manager's continued efforts to ensure Unitholders of PRIME fulfil their tax obligations, investor packs which contain the relevant information and tax forms were dispatched to Unitholders in August 2020 and January 2021, ahead of the 1H 2020 and FY 2020 distribution payments, respectively. The taxation information which includes a sample of a completed form and enquiry contact details are also available on PRIME's website at www.primeusreit.com.

MAIDEN VIRTUAL AGM

As a result of the two months extension provided by SGX to conduct Annual General Meetings ("AGMs") in view of COVID-19, the Manager convened its maiden AGM via a virtual platform on 17 June 2020. PRIME received a total of 31 questions from Unitholders in relation to the agenda of the AGM. The received questions were published alongside PRIME's AGM presentation slides on SGXNet and PRIME's website on 17 June 2020, prior to the commencement of the AGM to ensure increased transparency. The questions were categorised according to key areas of focus and were addressed by Barbara Cambon, CEO & CIO, and Harmeet Bedi, Deputy CEO & CFO, during the AGM's interactive fireside chat segment. This was also an opportunity for Unitholders to better learn about PRIME's leadership bench strength.



PRIME Virtual AGM 2020 Directors and Management Team

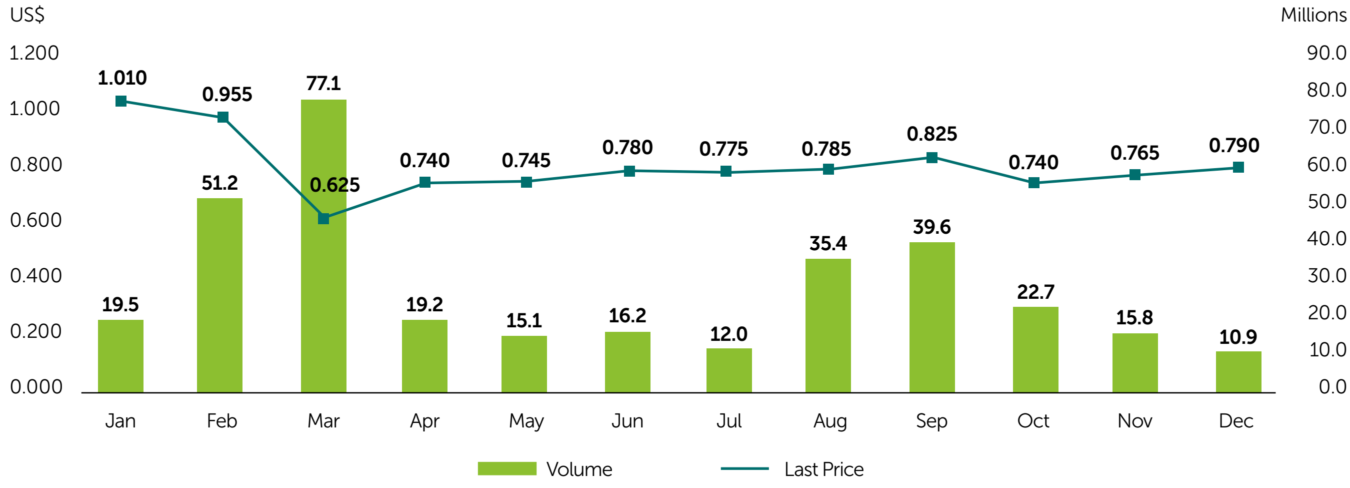
MILESTONE AND COMMITMENT

The Manager remains committed to uphold good corporate governance practice and transparency through regular communications with regulators as it is integral to sustaining PRIME's performance and protecting the interests of Unitholders. As a testament to PRIME's efforts, PRIME debuted in joint 10th position in the Governance Index for Trusts ("GIFT") 2020.

The Manager also strives to build strong relationships within the investment community to provide continuous information and knowledge sharing. As a member of the REIT Association of Singapore (REITAS) and Investor Relations Professionals Association (Singapore) (IRPAS), the Manager participated in events organised by the associations and engaged in policy consultation opportunities.

INVESTOR RELATIONS REVIEW

PRIME Performance in FY 2020



Unit Price Performance	
Opening Price as at First Trading Day of the Year – 2 January 2020 (US$ per unit)	0.80
Closing Price as at Last Trading Day of the Year – 31 December 2020 (US$ per unit)	0.79
Highest closing price (US$ per unit)	1.07
Lowest closing price (US$ per unit)	0.53
Average closing price (US$ per unit)	0.81
Volume weighted average price (VWAP)	0.82
Trading Volume (million units)	334.7
Number of Units in Issue as at 31 December 2020 (million units)	1,057.8
Market Capitalisation as at 31 December 2020 (US million)	835.7

IR Calendar in FY 2020

Tenant	Property
March 2020	
27 March, Friday	DBS COVID-19 Update
April 2020	
28 April, Tuesday	1Q 2020 Key Business and Operational Update
29 April, Wednesday	1Q 2020 Media, Analyst and Investor Briefings
May 2020	
5 May, Tuesday	DBS Group Investor Briefing
June 2020	
17 June, Wednesday	Virtual AGM
19 June, Friday	SGX-Credit Suisse Corporate Access

IR Calendar in FY 2020 (cont'd)

Tenant	Property
August 2020	
6 August, Thursday	1H 2020 Financial Results Announcement
7 August, Friday	1H 2020 Results Media and Analyst Briefings
7 August, Friday	DBS Group Investor Briefing
11 August, Tuesday	Credit Suisse Group Investor Briefing
18 August, Tuesday	SGX-Maybank Kim Eng Kuala Lumpur Corporate Day
25 August, Tuesday	Citi-REITAS-SGX C-Suite Singapore REITS & Sponsors Forum
26 August, Wednesday	Phillip Capital webinar
September 2020	
3 September, Thursday	SGX-Taiwan Corporate Day with SinoPac Securities
4 September, Friday	DBS-SGX-REITAS Future of Real Estate Series
29 September, Tuesday	SGX-Credit Suisse Real Estate Virtual Corporate Days
November 2020	
5 November, Thursday	3Q 2020 Key Business and Operational Update
6 November, Friday	3Q 2020 Media and Analyst Briefings
6 November, Friday	Credit Suisse Group Investor Briefing
13 November, Friday	REITAS-EY webinar - What the US election results means for the US property market
19 November, Thursday	CIMB Private Wealth Group Investor Meeting
24 November, Tuesday	UBS-SGX REIT Infra Day
26 November, Thursday	SGX-NH Securities Virtual SREITs - Korea
February & March 2021	
17 February, Wednesday	**FY 2020 Financial Results Announcement**
18 February, Thursday	FY 2020 Results Media and Analyst Briefings
18 February, Thursday	DBS Group Investor Briefing
25 February, Thursday	DBS Private Wealth Group Investor Briefing
3 March, Wednesday	SGX Virtual SREITs Corporate Day - Korea
16 March, Tuesday	RHB Group Investor Meeting

COMMUNITY ENGAGEMENT

TENANT AND COMMUNITY ENGAGEMENT

In light of COVID-19, the Manager went to great lengths to ensure the safety and wellness of its tenants throughout the pandemic, including adherence to all Centers for Disease Control and Prevention ("CDC") guidelines. These measures included increased janitorial services, UV sterilisation, installation of nano-septic elevator button covers, replacement to higher quality air filters and the presence of prominent signage to promote safety and social distancing measures. The Manager also provided resources for tenants such as virtual concierge services, facilitation of Zoom events featuring renowned chefs, wine tastings and holiday parties, amongst others. Additional contests and raffles were also held throughout the year to bring tenants together even in a remote environment.

Prior to the pandemic, an Earth Day celebration was held at One Washingtonian Center where tenants, along with vendors and local groups were able to exchange information on green practices. Tenants were also provided the opportunity to learn about the latest technology related to renewable energy including BMW electric vehicles, home products and gardening. The day included giveaways from local vendors, providing for a hands-on interactive community experience and educational day of fun.

Earth Day at One Washingtonian Center

In October, a virtual Pumpkin Carving Contest was organised for tenants at Reston Square in place of a Halloween party celebration. Tenants submitted their pumpkin carving masterpiece via email to vie for attractive prizes, based on the originality, details and creativity of their designs and craft. The Manager also hosted various festive virtual events in December to maintain tenant outreach where tenants had virtual meet-and-greet sessions with Santa Claus, Spiderman, and Elsa online in celebration of Christmas and the New Year.

Pumpkin carving entries submitted by tenants at Reston Square

SUSTAINABLE ENVIRONMENTAL MANAGEMENT

The Manager is committed to sustainable business practices and recognises that energy consumption is a growing concern globally. 11 out of 12 PRIME's properties are Leadership in Energy and Environmental Design ("LEED") or Energy Star certified. LEED is an international certification that recognises resource-efficient green buildings. The Manager implements measures to optimise energy and water efficiency across all its properties and conducts regular maintenance works to ensure improved efficiency and cost savings.

Most properties are equipped with environmentally friendly amenities to minimise its carbon footprint and environmental impact. Some of these efforts include the installation of bicycle racks, used batteries and fluorescent bulbs recycling programmes, automatic lighting sensors, water conservation features and weather proofing window panels. These sustainability efforts are a key element of value creation for our tenants and investors.

We 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 by 31 May 2021.

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**") 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, the 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 it consistently reflects market practices and stakeholders' expectation 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 2020 (the "**FY2020**"). 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

As the Manager, with general powers of management over the assets and the main responsibility of 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 for 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 the returns from the 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, sales and valuations, distribution payments, expense payments and property maintenance payments, as well as executing the 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, Chapter 289 of Singapore (the "**SFA**"), the listing manual of the SGX-ST (the "**Listing Manual**"), the Code on Collective Investment Schemes issued by 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 respective Board Committees guided by their respective Terms of References ("**ToRs**"), each of which is chaired by independent directors (the "**IDs**") who report to the Board and 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 the 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 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[1] is comprised of:

- Mr Charles J. Schreiber, Jr. (Chairman, Non-Independent Non-Executive Director ("**NIC**"))
- Professor Annie Koh (Independent Non-Executive Director ("**ID**"))
- Ms Cheng Ai Phing (Independent Non-Executive Director("**ID**"))
- Ms Soh Onn Cheng Margaret Jane[2] (Independent Non-Executive Director ("**ID**"))
- Mr John Robert French (Independent Non-Executive Director ("**ID**"))
- Mr Kevin John Eric Adolphe[3] (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[4] (Non-Independent Non-Executive Director ("**NID**"))

Notes:

(1) Mr Tan Ser Ping resigned as an ID of the Board and ceased to be Lead Independent Director ("**LID**"), member of the Audit and Risk Committee and Chairman of the Nominating and Remuneration Committee with effect from 31 December 2020.

(2) Ms Soh Onn Cheng Margaret Jane was appointed as ID and Chairman of the Nominating and Remuneration Committee with effect from 10 February 2021.

(3) Mr Kevin John Eric Adolphe was appointed as ID with effect from 4 August 2020 and was appointed as member of the Audit and Risk Committee with effect from 10 February 2021.

(4) Mr Pankaj Agarwal was appointed as NID with effect from 4 August 2020.

Profiles of the Board and the diverse skills and experience they bring to PRIME can be found between pages 7 and 9 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 Audit and Risk Committee (the "**ARC**"), were established to oversee the respective functions within PRIME.

The Board Committees are governed by their respective ToRs, which define the specific responsibilities, authorities and duties of the respective Board Committees. The Board Committees and their delegated authority from the Board can be found between pages 57 to 64 and pages 70 to 73 of this Annual Report.

CORPORATE GOVERNANCE REPORT

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 so 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 Tan Lay Hong from 6 December 2019 to 2 November 2020 and Ms Ngiam May Ling with effect from 2 November 2020, 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 of the Manager, the Board is briefed either during the Board meetings of the Manager or at specially convened sessions involving the relevant advisers and professionals, where necessary, or via circulation of Board papers. 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 and 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 prearranged 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 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). 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.

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.

CORPORATE GOVERNANCE REPORT

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 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 shareholders 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 shareholder of the Manager and every substantial Unitholder of PRIME, is not a substantial shareholder 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 shareholders 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 FY2020	(ii) had been independent from any business relationship with the Manager and PRIME during FY2020	(iii) had been independent from every substantial shareholder of the Manager and every substantial Unitholder of PRIME during FY2020	(iv) had not been a substantial shareholder of the Manager or a substantial Unitholder of PRIME during FY2020	(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 FY2020
Mr Charles Jay Schreiber, Jr.[1]	✓	–	–	✓	✓
Mr Tan Ser Ping[2]	✓	✓	✓	✓	✓
Professor Annie Koh	✓	✓	✓	✓	✓
Ms Cheng Ai Phing	✓	✓	✓	✓	✓
Ms Soh Onn Cheng Margaret Jane[3]	NA	NA	NA	NA	NA
Mr John Robert French[4]	✓	✓	✓	✓	✓
Mr Kevin John Eric Adolphe[5]	✓	✓	✓	✓	✓
Mr Chua Hsien Yang[6]	✓	✓	–	✓	✓
Mr Loh Yew Seng[7]	✓	✓	–	✓	✓
Mr Pankaj Agarwal[8]	✓	✓	–	✓	✓

Notes:

(1) 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 shareholder 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 FY2020, Mr Schreiber is 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 shareholder of the Manager and substantial Unitholder of PRIME by virtue of his indirect interest of 50% in KAP. Nonetheless, the Board is satisfied that, as at 31 December 2020, Mr Schreiber was able to act in the best interests of all Unitholders of PRIME as a whole.

(2) Mr Tan Ser Ping resigned as an ID of the Board and ceased to be a LID, member of the Audit and Risk Committee and Chairman of the Nominating and Remuneration Committee with effect from 31 December 2020.

(3) Ms Soh Onn Cheng Margaret Jane was appointed as ID and Chairman of the Nominating and Remuneration Committee with effect from 10 February 2021.

(4) 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 FY2020, Mr French is not a director treated as an independent director by virtue of his employment with Ernst & Young LLP. Nonetheless, the Board is satisfied that, since his appointment as a director, Mr French was able to act in the best interest of all Unitholders of PRIME as a whole.

(5) Mr Kevin John Eric Adolphe was appointed as ID with effect from 4 August 2020 and was appointed as member of the Audit and Risk Committee with effect from 10 February 2021.

(6) Mr Chua Hsien Yang was the CEO of Keppel DC REIT Management Pte. Ltd. till 14 February 2021. Keppel DC REIT Management Pte. Ltd. is a related corporation (indirect subsidiary) of Keppel Corporation Limited which is a substantial Unitholder of PRIME and a substantial shareholder of the Manager. Pursuant to the SFLCB Regulations, during FY2020, Mr Chua is deemed not to be independent from every substantial shareholder of the Manager and substantial Unitholder of PRIME by virtue of his employment with Keppel DC REIT Management Pte. Ltd.. Nonetheless, the Board is satisfied that, as at 31 December 2020, Mr Chua was able to act in the best interests of all Unitholders of PRIME as a whole.

(7) Mr Loh Yew Seng is the Head, Capital Markets of Singapore Press Holdings Limited. Singapore Press Holdings Limited through its wholly-owned subsidiary, Times Properties Private Limited, is a substantial Unitholder of PRIME and a substantial shareholder of the Manager. Pursuant to the SFLCB Regulations, during FY2020, Mr Loh is deemed not to be independent from every substantial shareholder of the Manager and substantial Unitholder of PRIME by virtue of his employment with Singapore Press Holdings Limited. Nonetheless, the Board is satisfied that, as at 31 December 2020, Mr Loh was able to act in the best interests of all Unitholders of PRIME as a whole.

(8) Mr Pankaj Agarwal was appointed as NID with effect from 4 August 2020. Mr Agarwal is the Director and Investment Manager of Auctus Investments Management Pte. Ltd. which is deemed to be interested in the units in PRIME held by AT Investments Limited, a wholly owned subsidiary of Auctus Investments Limited. Nonetheless, the Board is satisfied that, as at 31 December 2020, Mr Agarwal was able to act in the best interests of all Unitholders of PRIME as a whole.

CORPORATE GOVERNANCE REPORT

The Board has considered and determined, taking into account the views of the NRC, that Mr Tan Ser Ping, Professor Annie Koh, Ms Cheng Ai Phing, Mr John Robert French and Mr Kevin John Eric Adolphe have demonstrated independence in character and judgement in the discharge of their responsibilities as Directors during FY2020 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 and Listing Manual Rule 210 (5)(d) and the declarations by the IDs of their independence, the Board is satisfied that Mr Tan Ser Ping, Professor Annie Koh, Ms Cheng Ai Phing, Mr John Robert French and Mr Kevin John Eric Adolphe are independent.

The Board presently comprises nine directors, five of whom are IDs and all of whom are non-executive. Having a majority of IDs on the Board where the Chairman is not independent 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.

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.

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.

CORPORATE GOVERNANCE REPORT

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 or her 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 2020 objective that 20% of the Directors are female. The 30% objective to achieve greater gender parity by the year 2030 has also been achieved in 2021 with the appointment of Ms Soh Onn Cheng Margaret Jane.

Chairman 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 the Non-Independent Non-Executive Chairman, Mr Charles J. Schreiber, Jr. and, apart from the Board and Board Committee members, is supported by the CEO of the Manager, Ms Barbara Cambon, with a wide range of expertise and experience. Besides ensuring the non-repetition of duties and authority, the separation of the roles of the Chairman and the CEO and the clarity of roles and distinct responsibilities provide a healthy professional relationship between the Board and Management. This enhances the appropriate existing balance of roles, responsibilities, power, authority and accountability to maintain an effective system of checks and balances.

The Chairman and CEO collectively play an important role in the stewardship of the strategic direction and operations of PRIME. The Chairman and the CEO are not related, nor do they have any close family ties. The Chairman has a robust leadership background and vast experience in various senior positions which led to his appointment as the NIC of the Board. 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 CHAIRMAN OF THE BOARD AND THE CEO OF THE MANAGER

The Chairman'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 be consulted on all relevant matters.

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.

CORPORATE GOVERNANCE REPORT

In view of the fact that the NIC is not an ID, Mr Tan Ser Ping was appointed as the LID until his resignation as a Director and consequently relinquished his position as an LID with effect from 31 December 2020. During FY2020, the LID had availed himself 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 FY2020, 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, Mr Tan Ser Ping, had held meetings with the IDs without the presence of the NIDs and Management as he deemed appropriate or necessary, and provided feedback to the Board during the course of FY2020.

Provisions 3.3 of the Code recommends that an LID be appointed to provide leadership in situations where the NIC is conflicted, and especially when the NIC is not independent. The Board takes cognisance of the Provisions and undertakes that it shall use its best endeavours to identify a suitable candidate to fill the position of an LID.

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 is comprised of a majority of IDs, including the Chairman. As at the date of this Report, the members of the NRC[1] are as follows:

Name	Designation	Directorship
Ms Soh Onn Cheng Margaret Jane[2]	Chairman	ID
Mr Charles J. Schreiber, Jr.	Member	NIC
Ms Cheng Ai Phing	Member	ID

Notes:

(1) Mr Tan Ser Ping resigned as an ID of the Board and ceased to be a LID, member of the Audit and Risk Committee and Chairman of the Nominating and Remuneration Committee with effect from 31 December 2020.

(2) Ms Soh Onn Cheng Margaret Jane was appointed as ID with effect from 10 February 2021 in place of Mr Tan Ser Ping who has resigned as an ID of the Board and ceased to be an LID, member of the Audit and Risk Committee and Chairman of the Nominating and Remuneration Committee with effect from 31 December 2020.

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 Directors having regard to the circumstances set forth in Provisions 2.1 and 2.2 of the Code and Listing Rule 210 (5)(d);

CORPORATE GOVERNANCE REPORT

- review of succession plans in particular to the appointment and/or replacement of the Chairman, 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 Chairman, 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 NIC 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.

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.

Ms Soh Onn Cheng Margaret Jane was appointed as ID with effect from 10 February 2021. Mr Kevin John Eric Adolphe was appointed as ID with effect from 4 August 2020. Mr Pankaj Agarwal was appointed as NID with effect from 4 August 2020.

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. Mr Pankaj Agarwal has completed the requisite training under Rule 210(5)(a) of the Listing Manual on 15 October 2020 (being within one year from the date of his appointment to the Board). As Ms Soh Onn Cheng Margaret Jane and Mr Kevin John Eric Adolphe have prior experience as a director of an issuer listed on the SGX-ST, they are not required to undergo the requisite training under Rule 210(5)(a) of the Listing Manual.

CORPORATE GOVERNANCE REPORT

INDEPENDENCE AND TIME COMMITMENT

The NRC is responsible for determining annually, and as and when circumstances require, the independence of 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 FY2020.

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 Board at Board and Board Committees meetings (as well as the frequency of such meetings) and the Annual General Meeting ("**AGM**") during FY2020 are as recorded below:

	Annual General Meeting		Board of Directors		Audit and Risk Committee		Nominating and Remuneration Committee	
	Number of meetings							
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Charles Jay Schreiber, Jr.	1	1^	4	4^	6	4*	5	5
Mr Tan Ser Ping(1)	1	1	3	3	4	4	4	4^
Professor Annie Koh	1	1	4	4	6	6^	5	2*
Ms Cheng Ai Phing	1	1	4	4	6	6	5	5
Ms Soh Onn Cheng Margaret Jane (2)	–	–	1	1	1	1*	1	1^
Mr John Robert French	1	1	4	4	6	5*	5	2*
Mr Kevin John Eric Adolphe(3)	1	–	2	2*	5	4*	2	2*
Mr Chua Hsien Yang	1	1	4	4	6	4*	5	2*
Mr Loh Yew Seng	1	1	4	4	6	4*	5	2*
Mr Pankaj Agarwal(4)	–	–	2	2*	5	3*	2	2*

Notes:

^ Chairman.

* Attendance by invitation.

(1) Mr Tan Ser Ping resigned as an ID of the Board and ceased to be an LID, member of the Audit and Risk Committee and Chairman of the Nominating and Remuneration Committee with effect from 31 December 2020.

(2) Ms Soh Onn Cheng Margaret Jane was appointed as ID and Chairman of the Nominating and Remuneration Committee with effect from 10 February 2021.

(3) Mr Kevin John Eric Adolphe was appointed as ID with effect from 4 August 2020 and was appointed as member of the Audit and Risk Committee with effect from 10 February 2021.

(4) Mr Pankaj Agarwal was appointed as NID with effect from 4 August 2020.

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 FY2020. 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 9 and 134 of this Annual Report.

CORPORATE GOVERNANCE 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 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, as well as the effectiveness of the Chairman of the Board for FY2020. 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 A Tax Advisor Pte Ltd, an independent third-party facilitator to assist in administering, collating and analysing the responses of the Directors.

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.

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 commensurates 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 is 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 FY2020.

In FY2020, no independent remuneration consultant was engaged to provide professional advice on Board and KMP remuneration.

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 shareholder of the Manager and whose remuneration exceeds S$100,000 during the year and none of the employees are substantial shareholders of the Manager.

In recommending the Directors and KMP's remuneration to the Board for approval as a whole with the Director concerned abstaining from the decision-making process and in encouraging long-term decision-making removing undue volatility from remuneration outcomes, the NRC takes into account the responsibilities of the Directors including the CEO, the pay and employment conditions of all employees, the corporate and individual performance, the current views of stakeholders, the general market conditions including 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 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 Unitholders for approval at the AGM.

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The Board believes in a competitive and transparent remuneration framework. The Directors' remuneration received from PRIME for FY2020, 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 and reported in the Annual Report:

Main Board	Chairman	N.A
	Director	S$60,000 – per annum
NRC	Chairman	S$20,000 – per annum
	Member	S$10,000 – per annum
ARC	Chairman	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$)
Below $250,000					
Mr Charles Jay Schreiber, Jr.	–	–	–	–	–
Mr Tan Ser Ping	–	–	100,000	–	–
Professor Annie Koh	–	–	90,000	–	–
Ms Cheng Ai Phing	–	–	90,000	–	–
Ms Soh Onn Cheng Margaret Jane[(1)]	–	–	–	–	–
Mr John Robert French	–	–	60,000	–	–
Mr Kevin John Eric Adolphe[(2)]	–	–	24,457	–	–
Mr Chua Hsien Yang	–	–	–	–	–
Mr Loh Yew Seng	–	–	–	–	–
Mr Pankaj Agarwal[(3)]	–	–	–	–	–

Notes:

(1) Ms Soh Onn Cheng Margaret Jane was appointed as ID and Chairman of the Nominating and Remuneration Committee with effect from 10 February 2021.

(2) Mr Kevin John Eric Adolphe was appointed as ID with effect from 4 August 2020 and was appointed as member of the Audit and Risk Committee with effect from 10 February 2021.

(3) Mr Pankaj Agarwal was appointed as NID with effect from 4 August 2020.

The Chairman 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 office in addition to their existing roles.

The NRC reviewed the total remuneration structure for FY2020 which addressed four key objectives, namely:

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

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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 poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO and KMP who are not Directors or the CEO 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 61 to 63. 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 from PRIME. The level and mix of the remuneration of the CEO and KMP and their total remuneration are categorised into the various bands as follows:

Remuneration Band and Names of CEO and KMP [1]	Salary (%)	Variable or Performance-related income or Bonus (%)	Other benefits (%)	Contingent award of units or shares in Cash (%)	Contingent award of units or shares in RUP (%)
Above S$500,000 – S$750,000					
Ms. Barbara Cambon	100	–	n.m.[2]	–	–
Above S$250,000 – S$500,000					
Mr. Harmeet Singh Bedi [3]	86	11	3	–	–

Notes:

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

(2) n.m. means not material.

(3) Mr Harmeet Singh Bedi was appointed as Deputy Chief Executive Officer and Chief Financial Officer of the Manager on 22 May 2020.

The Managers currently do not have any share scheme or other forms of long-term incentive schemes in place. The Manager applies the principle that remuneration matters are to be 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. It is 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 the Manager's 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 shareholders.

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 2021).

During the course of the year under review, the Board was promptly informed of the Manager's Covid-19 business continuity plan which was implemented 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.

The Board was also regularly updated on relevant legal and regulatory requirements in light of the rapidly evolving Covid-19 situation.

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 page 71 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 FY2020, 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 as well monitored and reported where significant:

1. Operational Risk

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

- 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;

CORPORATE GOVERNANCE REPORT

- 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 2020, the US and other major global economies suffered abrupt slowdowns caused by the restriction of travel due to the Covid-19 pandemic. This has resulted in heighted 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 it may take anticipatory moves to safeguard income flows. The Manager also works closely with tax agents and advisors 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 its 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 instruments, where appropriate, to hedge against such risks;

- As at 31 December 2020, 86.9% of the variable rate interest borrowing had been hedged using floating-for-fixed interest rate swaps;

- In 2020, 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

- 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 foreign exchange risk.

5. **Credit Risk**

- This is an area of review given the widespread economic slowdown in 2020 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 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 and risks involved; 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.

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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, and 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, CFO and other KMPs 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, CFO and other KMPs, 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 2020.

The Board notes that the internal control systems established provide reasonable though 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.

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The Manager has incorporated into its internal audit plan a review of all IPT entered into by PRIME. The ARC will monitor the procedures established to regulate IPT, including reviewing any IPT entered into from time to time, and will direct 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.

Further to that, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review will include 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 will 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 will be 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 net tangible assets/net asset value will be 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 net tangible assets/ net asset value will be 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 will comply 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.

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The aggregate value of all IPT in accordance with the Listing Manual in FY2020, 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$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) US$'000
KBS US Prime Property Management Pte. Ltd.	Manager of PRIME		
– Manager's base management fees		7,355	Nil
– Manager's performance fee		622	Nil
– Manager's acquisition fee		1,650	Nil
DBS Trustee Limited	Trustee of PRIME		
– Trustee fees		188	Nil
Total		**9,815**	**Nil**

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 Shareholders 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 to the governance of the ARC, the ARC membership comprises at least three members, a majority of whom are IDs, including the Chairman. As at the date of this Report, the members of the ARC[1] are as follows:

Name	Designation	Directorship
Professor Annie Koh	Chairperson	ID
Ms Cheng Ai Phing	Member	ID
Mr Kevin John Eric Adolphe[2]	Member	ID

CORPORATE GOVERNANCE REPORT

Notes:

(1) Mr Tan Ser Ping resigned as an ID of the Board and ceased to be an LID, member of the Audit and Risk Committee and Chairman of the Nominating and Remuneration Committee with effect from 31 December 2020.

(2) Mr Kevin John Eric Adolphe was appointed as member of the Audit and Risk Committee with effect from 10 February 2021 in place of Mr Tan Ser Ping who has resigned as an ID of the Board and ceased to be an LID, member of the Audit and Risk Committee and Chairman of the Nominating and Remuneration Committee with effect from 31 December 2020.

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 Chairman of the ARC. Mr Tan Ser Ping, Mr Kevin John Eric Adolphe and Ms Cheng Ai Phing have extensive audit, accounting and financial management expertise and experience where 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.

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 FY2020, six 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 FY2020, 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 FY2020 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**");
- Reviewing the nature and extent of non-audit services performed by the External Auditors;

CORPORATE GOVERNANCE REPORT

- 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 KPMG Services Pte. Ltd. ("**KPMG**"). Both KBSRA and KPMG adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (IIA). The hiring, removal and compensation of internal auditors, are performed by the ARC where the internal auditors are independent of Management and report directly to the Chairman of the ARC and administratively to the CEO.

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, which is outsourced to KBSRA and KPMG, 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 that 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.

REVIEWS CONDUCTED BY THE ARC

In FY2020, 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 matters ("**KAM**") identified by the External Auditors for FY2020:

CORPORATE GOVERNANCE REPORT

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$701,000, of which audit-related fees amounted to US$514,000 and non-audit fees amounted to US$187,000. Audit-related fees include audit fees of US$495,000 and US$19,000 for agreed upon procedures on financial information for periods ended 30 June 2020 and 30 September 2020. The non-audit fees paid or payable to EY comprise US$169,000 for general tax and GST compliance work and US$18,000 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.

WHISTLE BLOWING 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.

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 Chairman 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 Chairman. Following a review of the complaint or concern, the ARC Chairman, where appropriate, will take steps to have the matter investigated and, if warranted, will request that the Board and Management implement corrective measures.

Whistle blowers are given the option to remain anonymous and may report via an external independent hotline or directly to PRIME's Head of Internal Audit. 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 publicly disclosed on PRIME's website.

CORPORATE GOVERNANCE REPORT

DEALING IN UNITS

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 is 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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

Engagement with Shareholders

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

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 light of the Covid-19 pandemic, the forthcoming AGM of the PRIME to be held in respect of FY2020 will be convened and 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. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of AGM, addressing of substantial and relevant questions at or prior to the AGM and voting by appointing the Chairman of the AGM as proxy, will be put in place for the forthcoming AGM of the PRIME.

CORPORATE GOVERNANCE REPORT

Provision 11.4 of the Code requires an issuer's Constitution to allow for absentia voting at general meetings of shareholders. PRIME's 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 PRIME's 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.

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. 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 http://www.primeusreit.com/. Unitholders can contact the Manager via the Investor Relations contact available on PRIME's website for investor relations and media enquiry. 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.

CORPORATE GOVERNANCE REPORT

PRIME strives towards improving fiscal growth, optimising operational efficiency while creating a Sustainable Culture throughout to create long-term value based on Environment, Social and Governance ("ESG") factors. 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.

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 practice. PRIME will publish the electronic version of its Sustainability Report on SGXNet and Primes' website at http://www.primeusreit.com/ by 31 May 2021.

DIVIDEND POLICY

PRIME's distribution policy is to distribute 100% of PRIME's annual distributable income for the period from the Listing Date to the end of the year ended 31 December 2020, after which PRIME will distribute at least 90% of its annual distributable income. 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. PRIME made its first distribution to Unitholders on 30 March 2020.

FINANCIAL STATEMENTS

REPORT OF THE TRUSTEE

For the financial year ended 31 December 2020

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, Chapter 289 of Singapore, 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 83 to 131, 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
22 March 2021

STATEMENT BY THE MANAGER

For the financial year ended 31 December 2020

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 83 to 131 comprising the Statements of Financial Position of the Group and the Trust as at 31 December 2020, the Consolidated Statement of Comprehensive Income, 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 2020, Consolidated Portfolio Statement of the Group as at 31 December 2020 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 2020, the consolidated comprehensive income, 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 2020 and consolidated portfolio holdings of the Group as at 31 December 2020, 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

Charles J. Schreiber Jr.
Director

Singapore
22 March 2021

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 2020

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 2020, the Consolidated Statement of Comprehensive Income, 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 2020, Consolidated Portfolio Statement of the Group as at 31 December 2020 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 2020, the consolidated comprehensive income, 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 2020 and consolidated portfolio holdings of the Group as at 31 December 2020.

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 and ACRA Codes. 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.

<u>Valuation of investment properties</u>

As at 31 December 2020, the carrying value of investment properties was US$1.41 billion (2019: US$1.25 billion) which accounted for 97.1% (2019: 96.7%) of total assets. The valuation of the investment properties is significant to our audit due to the magnitude and the 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, there was an increase in the level of estimation uncertainty and judgement required in determining the valuation of investment properties arising from the changes in market and economic conditions brought on by the COVID-19 pandemic. As disclosed in Note 23(e), 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. Accordingly, we have identified this as a key audit matter.

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 2020

Key Audit Matters (cont'd)

Valuation of investment properties (cont'd)

The Manager uses external valuers to determine the individual 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, the 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 brought on 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

Management 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 2020

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
22 March 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 US$'000	Group 2019 US$'000	Trust 2020 US$'000	Trust 2019 US$'000
Current assets					
Cash and cash equivalents	4	37,442	37,862	2,246	1,170
Trade and other receivables	5	1,623	2,411	185	1,356
Amounts due from subsidiaries	5	–	–	24,860	19,466
Prepaid expenses		2,584	2,200	9	1
		41,649	**42,473**	**27,300**	**21,993**
Non-current assets					
Investment properties	6	1,405,200	1,254,700	–	–
Investment in subsidiaries	7	–	–	879,988	786,517
		1,405,200	1,254,700	879,988	786,517
Total assets		**1,446,849**	**1,297,173**	**907,288**	**808,510**
Current liabilities					
Trade and other payables	8	14,540	16,646	385	309
Amounts due to related parties	8	328	476	328	421
Rental security deposits		532	276	–	–
Rent received in advance		6,493	5,061	–	–
		21,893	**22,459**	**713**	**730**
Non-current liabilities					
Loans and borrowings	9	480,352	432,824	–	–
Rental security deposits		3,953	2,294	–	–
Derivative liabilities	10	23,476	6,895	–	–
Preferred shares		125	125	–	–
Deferred tax liabilities	11	9,258	7,268	–	–
		517,164	**449,405**	–	–
Total liabilities		**539,057**	**471,864**	**713**	**730**
Net assets attributable to Unitholders		**907,792**	**825,310**	**906,575**	**807,780**
Represented by:					
Unitholders' funds		**907,792**	**825,310**	**906,575**	**807,780**
Units in issue and to be issued ('000)	12	**1,060,437**	**926,379**	**1,060,437**	**926,379**
Net asset value per Unit (US$) attributable to Unitholders	13	**0.86**	**0.89**	**0.85**	**0.87**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

		Group	
	Note	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Gross revenue	14	143,557	60,657
Property operating expenses	15	(48,568)	(20,486)
Net property income		**94,989**	**40,170**
Manager's base fee		(7,355)	(2,977)
Manager's performance fee		(622)	–
Trustee's fee		(188)	(76)
Other trust expenses	17	(1,426)	(1,008)
Net fair value change in derivatives		(16,356)	(6,895)
Finance expenses	16	(14,871)	(7,078)
Finance income		3	40
Net income before tax and fair value change in investment properties		**54,174**	**22,176**
Net fair value change in investment properties	6	(28,935)	18,795
Net income for the year/period before tax		**25,239**	**40,971**
Tax expense	18	(2,030)	(7,268)
Net income for the year/period attributable to Unitholders		**23,209**	**33,704**
Earnings per Unit (US cents)			
Basic and diluted	19	2.24	3.65

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

DISTRIBUTION STATEMENT

For the financial year ended 31 December 2020

	Group Year ended 31 December 2020 US$'000	Group 7 September 2018 (date of constitution) to 31 December 2019 US$'000
Income available for distribution to Unitholders at beginning of the year/the date of constitution	29,176	–
Net income for the year/period	23,209	33,704
Distribution adjustments (Note A)	48,869	(4,528)
Income available for distribution to Unitholders for the year/period	72,078	29,176
Distribution to Unitholders		
– 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)	–
Total Distribution to Unitholders	(65,004)	–
Income available for distribution to Unitholders at end of the year/period	**36,250**	**29,176**
Distribution per Unit (DPU) (US cents):	**6.94**	**3.15**

Note A – Distribution adjustments comprise:

Property related non-cash items [(1)]	(6,139)	(2,792)
Manager's base fee paid/payable in Units	5,884	2,382
Manager's performance fee paid/payable in Units	622	–
Trustee's fee	188	76
Amortisation of upfront debt-related transaction costs [(2)]	1,133	440
Net change in fair value of derivatives	16,356	6,895
Net change in fair value of investment properties	28,935	(18,795)
Deferred tax expense	1,990	7,268
Others [(3)]	(100)	–
Net distribution adjustments	**48,869**	**(4,528)**

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

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

(2) Upfront debt-related transaction costs, including transaction costs related to issuance of preferred shares, are amortised over the life of the borrowings.

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

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2020

		Attributable to Unitholders		
	Note	Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
Group				
At 1 January 2020		**791,606**	**33,704**	**825,310**
Net income for the year		–	23,209	23,209
Net increase in net assets resulting from operations		**791,606**	**56,913**	**848,519**
Unitholders' transactions				
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)
Distribution to Unitholders		(24,261)	(40,743)	(65,004)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		**100,016**	**(40,743)**	**59,273**
At 31 December 2020		**891,622**	**16,170**	**907,792**
At 7 September 2018 (date of constitution)		–	–	–
Net income for the period		–	33,704	33,704
Net increase in net assets resulting from operations		–	**33,704**	**33,704**
Unitholders' transactions				
Issue of new Units:				
– Initial public offering	12	813,000	–	813,000
– Manager's base fee paid/payable in Units	12	2,382	–	2,382
Issue costs	12	(23,776)	–	(23,776)
Net increase in net assets resulting from Unitholders' transactions		**791,606**	**–**	**791,606**
At 31 December 2019		**791,606**	**33,704**	**825,310**

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

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2020

	Note	Attributable to Unitholders Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
Trust				
At 1 January 2020		**791,606**	**16,174**	**807,780**
Net income for the year		–	39,522	39,522
Net increase in net assets resulting from operations		**791,606**	**55,696**	**847,302**
Unitholders' transactions				
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)
Distribution to Unitholders		(24,261)	(40,743)	(65,004)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		100,016	(40,743)	59,273
At 31 December 2020		**891,622**	**14,953**	**906,575**
At 7 September 2018 (date of constitution)		–	–	–
Net income for the period		–	16,174	16,174
Net increase in net assets resulting from operations		–	**16,174**	**16,174**
Unitholders' transactions				
Issue of new Units:				
– Initial public offering	12	813,000	–	813,000
– Manager's base fee paid/payable in Units	12	2,382	–	2,382
Issue costs	12	(23,776)	–	(23,776)
Net increase in net assets resulting from Unitholders' transactions		**791,606**	–	**791,606**
At 31 December 2019		**791,606**	**16,174**	**807,780**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

		Group	
	Note	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Operating activities			
Net income before tax		25,239	40,971
Adjustments for:			
Property related non-cash items		(6,139)	(2,792)
Manager's fee paid/payable in Units		6,506	2,382
Impairment loss on trade receivables	5	445	130
Net fair value change in investment properties	6	28,935	(18,795)
Net fair value change in derivatives	10	16,356	6,895
Foreign exchange gains		(72)	(18)
Finance expenses	16	14,871	7,078
Finance income		(3)	(40)
Operating cash flow before working capital changes		**86,138**	**35,811**
Changes in working capital			
Trade and other receivables		344	(2,541)
Prepaid expenses		(384)	(2,200)
Trade and other payables		966	7,762
Amount due to related parties		(148)	476
Rental security deposits		1,543	56
Rent received in advance		1,433	5,061
Cash flow from operations		**89,892**	**44,423**
Taxes paid		(39)	–
Net cash generated from operating activities		**89,853**	**44,423**
Cash flows from investing activities			
Acquisition of investment properties and related assets and liabilities	(a)	(161,768)	(1,214,185)
Settlement of liabilities in relation to the acquisition of investment properties		(2,422)	(5,075)
Payment for capital expenditure relating to investment properties		(11,737)	(3,646)
Interest received		3	40
Net cash used in investing activities		**(175,924)**	**(1,222,867)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

		Group	
	Note	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Cash flows from financing activities			
Distribution to Unitholders		(65,004)	–
Proceeds from issuance of Units	12	120,000	813,000
Payment for transaction costs relating to issuance of Units	12	(2,229)	(23,776)
Proceeds from issuance of preferred shares		–	125
Transaction costs related to issuance of preferred shares		(1)	(37)
Dividends on preferred shares		(16)	(12)
Proceeds from loans and borrowings		150,500	471,196
Payment of transaction costs related to loans and borrowings		(607)	(5,175)
Repayment of loans and borrowings		(103,500)	(33,600)
Interest paid on loans and borrowings		(13,565)	(5,433)
Net cash generated from financing activities		**85,578**	**1,216,287**
Net (decrease)/increase in cash and cash equivalents		**(493)**	**37,843**
Cash and cash equivalents at the beginning of the year/period		37,862	1
Effect of exchange rate fluctuations on cash held in foreign currency		73	18
Cash and cash equivalents at end of the year/period	4	**37,442**	**37,862**

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

	Group	
	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Agreed purchase consideration for investment properties	165,500	1,222,150
Acquisition costs	1,880	5,859
Capital expenditure and leasing costs under seller's responsibility	(4,180)	(1,880)
Net cash consideration for investment properties	163,200	1,226,129
Accrued expenses and other payables	(1,061)	(9,429)
Rental security deposits	(371)	(2,514)
Acquisition of investment properties and related assets and liabilities	161,768	1,214,185

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

CONSOLIDATED PORTFOLIO STATEMENT

As at 31 December 2020

Description of property	Location	Tenure of land	Fair value as at 31 December 2020 US$'000	Percentage of total net assets as at 31 December 2020 %
Tower 1 at Emeryville	San Francisco Bay Area (Oakland)	Freehold	115,700	12.7
222 Main	Salt Lake City	Freehold	224,000	24.7
Village Center Station I	Denver	Freehold	86,400	9.5
Village Center Station II	Denver	Freehold	155,100	17.1
101 South Hanley	St. Louis	Freehold	80,000	8.8
Tower 909	Dallas	Freehold	80,900	8.9
Promenade I & II	San Antonio	Freehold	71,000	7.8
CrossPoint	Philadelphia	Freehold	99,000	10.9
One Washingtonian Center	Washington D.C. Area (Suburban Maryland)	Freehold	102,000	11.2
Reston Square	Washington D.C. Area (Suburban Virginia)	Freehold	46,900	5.2
171 17th Street	Atlanta	Freehold	180,700	19.9
Park Tower	Sacramento	Freehold	163,500	18.0
Total investment properties			1,405,200	154.7
Other assets and liabilities (net)			(497,408)	(54.7)
Net assets			**907,792**	**100.0**

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

CONSOLIDATED PORTFOLIO STATEMENT

As at 31 December 2020

Description of property	Location	Tenure of land	Fair value as at 31 December 2019 US$'000	Percentage of total net assets as at 31 December 2019 %
Tower 1 at Emeryville	San Francisco Bay Area (Oakland)	Freehold	125,800	15.2
222 Main	Salt Lake City	Freehold	220,000	26.7
Village Center Station I	Denver	Freehold	88,500	10.7
Village Center Station II	Denver	Freehold	145,800	17.7
101 South Hanley	St. Louis	Freehold	81,500	9.9
Tower 909	Dallas	Freehold	82,400	10.0
Promenade I & II	San Antonio	Freehold	75,000	9.1
CrossPoint	Philadelphia	Freehold	99,500	12.1
One Washingtonian Center	Washington D.C. Area (Suburban Maryland)	Freehold	106,000	12.8
Reston Square	Washington D.C. Area (Suburban Virginia)	Freehold	49,200	6.0
171 17th Street	Atlanta	Freehold	181,000	21.9
Total investment properties			**1,254,700**	152.1
Other assets and liabilities (net)			(429,390)	(52.1)
Net assets			**825,310**	100.0

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 inactive from the date of its constitution to 19 July 2019 (the "Listing Date"). 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 distribution 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% (2019: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1. GENERAL (CONT'D)

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

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 range from 0.85% 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1. GENERAL (CONT'D)

(c) Property management fees (cont'd)

Construction supervision fee

Except for CrossPoint and Village Center Station II, 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. 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

Under the property management agreement in respect of the properties, the respective property manager will provide lease management services. The property manager is 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.

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.

2.2 Basis of measurement

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. BASIS OF PREPARATION

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 Group's consolidated financial statements requires management 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 recognised 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 recognised in the consolidated 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.

Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The fair values of investment properties are determined with inputs from independent real estate valuation experts using recognised 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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.

3.1 Basis of consolidation and business combinations

(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) Business combinations

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values as at acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Any excess of the sum of fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with the business combination are expensed as a fair value adjustment to investment properties as incurred.

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 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation and business combinations (cont'd)

(c) 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 balance sheet, investment in subsidiaries are 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$.

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 recognised 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.

Foreign currency differences arising on translation are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, 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 recognised 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 recognised in the translation reserve in Unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 recognised 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 recognised in profit or loss when control is transferred to the buyer.

3.4 Financial instruments

(a) Non-derivative financial assets

Initial recognition and measurement

Financial assets are recognised 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 amounts 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 recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Derecognition

A financial asset is derecognised 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 recognised in other comprehensive income for debt instruments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

(b) Non-derivative financial liabilities

Initial recognition and measurement

Financial liabilities are recognised 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 recognised 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, amounts 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 recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

(a) Financial assets (cont'd)

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.

(b) Non-financial assets

The Trust 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 recognised in profit or loss.

A previously recognised 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 recognised. 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 recognised 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 recognised 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 recognised in profit or loss. Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease.

Rental income also includes lease cancellation fees. Lease cancellation fees are recognised as revenue once an agreement is reached with the tenant to terminate the lease and the collectability is reasonably assured.

Recoveries income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Revenue recognition (cont'd)

Other operating income

Other operating income comprise parking income and other non-rental income are recognised as services are provided and the performance obligations are satisfied. Car park income consists of contractual and transient car park income, which are recognised upon utilization of parking facilities.

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 recognised 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 recognised is the amount allocated to the satisfied performance obligation.

Finance income

Interest income is recognised 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 recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

3.9 Taxes

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised 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 recognised in profit or loss except to the extent that the tax relates to items recognised 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 recognised 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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

Deferred tax assets are recognised 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 recognised 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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 2020. 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 2020

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 recognised 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 standards as applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to IFRS 7, IAS 39, IFRS 9, IFRS 16: *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Amendments to IAS 37: *Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1: *Classification of Liabilities as Current or Non-Current*	1 January 2023

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

4. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Cash at bank	37,442	37,862	2,246	1,170

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

5. TRADE AND OTHER RECEIVABLES AMOUNTS DUE FROM SUBSIDIARIES

	Group		Trust	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Trade receivables	1,438	1,055	–	–
GST receivable	185	1,356	185	1,356
	1,623	2,411	185	1,356
Amounts due from subsidiaries	–	–	24,860	19,466

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

Amounts due from subsidiaries mainly relates to dividend receivable from one of its subsidiaries. These amounts are non-trade related, unsecured, interest-free, repayable on demand and to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables related to rent and services amounting to US$264,000 (2019: US$171,000) at year/period end that are past due at the end of the reporting period but not impaired. The analysis of their ageing at the end of the reporting year/period is as follows:

	Group	
	2020 US$'000	2019 US$'000
1 to 30 days	220	123
31 to 60 days	22	37
61 to 90 days	10	8
91 to 120 days	8	–
Greater than 120 days	4	3
	264	171

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.

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 recognised 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 2020 US$'000	Individually impaired 2019 US$'000
Trade receivables – nominal amounts	417	130
Less: Allowance for impairment	(417)	(130)
Balance at 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Expected Credit Losses ("ECL")

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

	Group	
	2020 US$'000	**2019 US$'000**
As at 1 January / 7 September 2018 (date of constitution)	(130)	–
Charge for the year/period	(445)	(130)
Written off	158	–
Balance at 31 December	(417)	(130)

6. INVESTMENT PROPERTIES

	Group	
	2020 US$'000	**2019 US$'000**
Consolidated Statement of Financial Position		
At 1 January 2020 / 7 September 2018 (date of constitution)	1,254,700	–
Acquisitions (including acquisition costs)	163,200	1,226,129
Capital expenditure (including leasing commissions and incentives) [1]	9,474	6,984
Fair value changes in investment properties	(22,174)	21,587
At 31 December	1,405,200	1,254,700
Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	(22,174)	21,587
Net effect of amortisation and straight-lining [2]	(6,761)	(2,792)
Net fair value change recognised in the Statement of Comprehensive Income	(28,935)	18,795

1 Includes net lease commissions of US$1,592,000 (2019: US$1,241,000) and lease incentives of US$167,000 (2019: US$1,852,000)

2 Arising from accounting for rental income on a straight-line basis, the difference between revenue recognised and the contractual cash flow is included in the carrying value of the investment property and subsequently adjusted to reflect fair value change in investment properties recognised 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 15.3 years (2019: less than one year to 13.8 years) at year end.

For the year ended 31 December 2020, net cash outflow for payment made on capital expenditure relating to investment properties amounted to US$11,737,000 (2019: US$3,646,000), 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 2020 and 31 December 2019. The valuations were performed by Cushman and Wakefield Western, Inc, an independent valuer with a recognised 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. INVESTMENT PROPERTIES (CONT'D)

Property pledged as security

One of the investment properties with a carrying value of US$224,000,000 (2019: US$220,000,000) is mortgaged to secure a loan (Note 9).

The investment properties held by the Group as at 31 December 2020

Property	Description and Location	Tenure	Appraised value US$'000
Tower I at Emeryville	12-storey Class A office building located in Emeryville, California	Freehold	115,700
222 Main	21-storey Class A office building located in Salt Lake City, Utah	Freehold	224,000
Village Center Station I	9-storey Class A office building located in Greenwood Village, Colorado	Freehold	86,400
Village Center Station II	12-storey Class A office building located in Greenwood Village, Colorado	Freehold	155,100
101 South Hanley	19-storey Class A office building located in St. Louis, Missouri	Freehold	80,000
Tower 909	19-storey Class A office building located in Irving, Texas	Freehold	80,900
Promenade I & II	Two 4-storey Class A office buildings located in San Antonio, Texas	Freehold	71,000
CrossPoint	4-storey Class A office building located in Wayne, Pennsylvania	Freehold	99,000
One Washingtonian Center	14-storey Class A office building located in Gaithersburg, Maryland	Freehold	102,000
Reston Square	7-storey Class A office building located in Reston, Virginia	Freehold	46,900
171 17th Street	21-storey Class A office building located in Atlanta, Georgia	Freehold	180,700
Park Tower	24-storey Class A office building located in Sacramento, California.	Freehold	163,500
			1,405,200

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2020

6. INVESTMENT PROPERTIES (CONT'D)

The investment properties held by the Group as at 31 December 2019

Property	Description and Location	Tenure	Appraised value US$'000
Tower I at Emeryville	12-storey Class A office building located in Emeryville, California	Freehold	125,800
222 Main	21-storey Class A office building located in Salt Lake City, Utah	Freehold	220,000
Village Center Station I	9-storey Class A office building located in Greenwood Village, Colorado	Freehold	88,500
Village Center Station II	12-storey Class A office building located in Greenwood Village, Colorado	Freehold	145,800
101 South Hanley	19-storey Class A office building located in St. Louis, Missouri	Freehold	81,500
Tower 909	19-storey Class A office building located in Irving, Texas	Freehold	82,400
Promenade I & II	Two 4-storey Class A office buildings located in San Antonio, Texas	Freehold	75,000
CrossPoint	4-storey Class A office building located in Wayne, Pennsylvania	Freehold	99,500
One Washingtonian Center	14-storey Class A office building located in Gaithersburg, Maryland	Freehold	106,000
Reston Square	7-storey Class A office building located in Reston, Virginia	Freehold	49,200
171 17th Street	21-storey Class A office building located in Atlanta, Georgia	Freehold	181,000
			1,254,700

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

7. INVESTMENT IN SUBSIDIARIES

	Trust	
	2020 US$'000	2019 US$'000
Unquoted equity investments at cost	879,988	786,517

Details of the subsidiaries of the Trust are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Trust 2020 %	Effective equity held by the Trust 2019 %
Direct subsidiaries:				
Prime US REIT S1 Pte. Ltd.[1]	Investment holding	Singapore	100	100
Prime US REIT S2 Pte. Ltd.[1]	Investment holding	Singapore	100	100
Prime US REIT S3 Pte. Ltd.[1]	Investment holding	Singapore	100	–
Indirect subsidiaries:				
Prime US-Sub REIT, Inc[2]	Investment holding	United States of America	100	100
Prime US-Upper Tier, LLC[2]	Investment holding	United States of America	100	100
Prime US-Middle Tier, LLC[2]	Investment holding	United States of America	100	100
Prime US-Lower Tier, LLC[2]	Investment holding	United States of America	100	100
Prime US Properties, LLC[2]	Investment holding	United States of America	100	100
Prime US-Acquisition I, LLC[2]	Investment holding	United States of America	100	100
Prime US-Towers At Emeryville, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-222 Main, LLC[2]	Property owner	United States of America	100	100
Prime US-Village Center Station, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-Village Center Station II, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-101 South Hanley, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-Tower At Lake Carolyn, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-Promenade, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-CrossPoint At Valley Forge, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-One Washingtonian, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-Reston Square, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-171 17th Street, LLC[2] [3]	Property owner	United States of America	100	100
Prime US-Park Tower,LLC[2][3]	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 2020

8. TRADE AND OTHER PAYABLES AMOUNTS DUE TO RELATED PARTIES

	Group		Trust	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Trade payables	140	14	–	–
Interest payable	1,124	1,193	–	–
Property tax payable	5,629	5,033	–	–
Building and tenancy improvement payables	2,945	5,960	–	–
Accrued expenses	4,702	4,446	385	309
Trade and other payables	14,540	16,646	385	309
Amounts due to related parties	328	476	328	421

Amounts due to related parties mainly relate to expenses paid by the Manager on behalf of the Trust. These amounts are 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 2020 US$'000	Group 2019 US$'000
Non-current				
Revolving credit facility	LIBOR + 1.05%	July 2022	59,596	52,596
Four-year term loan facility	LIBOR + 1.15%	July 2023	160,000	140,000
Five-year term loan facility	LIBOR + 1.15%	July 2024	160,000	140,000
Ten-year term loan facility	4.11%	August 2029	105,000	105,000
			484,596	437,596
Less: Unamortised transaction costs			(4,244)	(4,772)
Total loans and borrowings			480,352	432,824

Revolving credit facility

The total amount available under this facility is US$150.0 million (2019: US$100.0 million). As at year end, the Group has US$90.4 million (2019: US$47.4 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. Taking into account the swap, the weighted average interest rate for the year was 1.85% (2019: 3.06%) 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) for the facility.

The facility has two one-year extension options beyond its scheduled maturity date in July 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9. LOANS AND BORROWINGS (CONT'D)

Four-year term loan facility
Five-year term loan facility

The amount drawn down from each facility is US$160.0 million (2019: US$140.0 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) 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 2.64% (2019: 3.06%) per annum.

The four-year term loan facility has a one-year extension option beyond its scheduled maturity date in July 2023.

Ten-year term loan facility

The amount drawn down from the facility is US$105.0 million (2019: 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 2020 US$'000	Net cash flows US$'000	Amortisation of upfront debt-related transaction costs US$'000	31 December 2020 US$'000
Group				
Loans and borrowings	432,824	46,395	1,133	480,352
Preferred shares	125	–	–	125

	7 September 2018 (date of constitution) US$'000	Net cash flows US$'000	Amortisation of upfront debt-related transaction costs US$'000	31 December 2019 US$'000
Group				
Loans and borrowings	–	432,421	403	432,824
Preferred shares	–	125	–	125

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2020 Contract/ Nominal amount US$'000	2019 Contract/ Nominal amount US$'000	2020 Liabilities US$'000	2019 Liabilities US$'000
Non-current:				
Interest rate swaps	330,000	280,000	23,476	6,895
Derivative financial instruments as a percentage of the Group's net assets			2.59%	0.84%
Derivative financial instruments as a percentage of the Trust's net assets			2.59%	0.85%

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 (2019: June 2024).

11. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group	
	2020 US$'000	2019 US$'000
Investment properties	9,258	7,268

Movements in deferred tax liabilities of the Group during the year/period are as follows:

	1 January 2020 US$'000	Recognised in Statement of Comprehensive Income (Note 18) US$'000	At 31 December 2020 US$'000
Deferred tax liabilities			
Investment properties			
– Change in fair value of investment properties	4,557	(4,657) [(1)]	(100)
– Depreciation claimed for income tax purpose in United States	2,711	6,647	9,358
	7,268	1,990	9,258

(1) This represents the tax effect on the change in fair value of investment properties of US$22,174,000 (Note 6) using United States tax rate of 21%.

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For the financial year ended 31 December 2020

11. DEFERRED TAX LIABILITIES (CONT'D)

	At 7 September 2018 (date of constitution) US$'000	Recognised in Statement of Comprehensive Income (Note 18) US$'000	At 31 December 2019 US$'000
Deferred tax liabilities			
Investment properties			
– Change in fair value of investment properties	–	4,557	4,557
– Depreciation claimed for income tax purpose in United States	–	2,711	2,711
	–	7,268	7,268

12. UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust			
	Year ended 31 December 2020		7 September 2018 (date of constitution) to 31 December 2019	
	No. of Units '000	US$'000	No. of Units '000	US$'000
Units issued				
As at beginning of year/period	925,004	790,268	–[(1)]	–[(1)]
Issue of new Units:				
– Initial public offering	–	–	923,864	813,000
– Private placement	125,392	120,000	–	–
– Management fees paid in Units	7,395	5,735	1,140	1,044
– Issue costs	–	(2,229)	–	(23,776)
– Distribution to Unitholders	–	(24,261)	–	–
As at 31 December	1,057,791	889,513	925,004	790,268
Units to be issued				
Management fee payable in Units	1,866	1,487	1,375	1,338
Performance fee payable in Units	780	622	–	–
Total Units issued and to be issued as at the end of the year/period	1,060,437	891,622	926,379	791,606

(1) Less than 500.

Issue of new Units for 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

12. UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

Issue of new Units for 2020 (cont'd):

For the period from 1 October 2020 to 31 December 2020, the Trust will issue 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 will issue 780,161 new Units at US$0.797 per Unit to the Manager as full payment of the Manager's performance fee.

Issue of new Units for 2019:

On Listing Date, an aggregate of 923,864,000 Units were issued at US$0.88 per unit for gross proceeds of US$813.0 million.

For the period from 7 September 2018 to 31 December 2019, the Trust issued 1,139,872 new Units at US$0.916 per Unit and will issue 1,374,720 new Units at US$0.973 per Unit to the Manager as payment of 80% of the Manager's base 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.

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.

Issue costs in 2019 comprised professional, advisory and underwriting fees and other costs related to the issuance of Units. Included in issue costs were US$1,738,000 of fees paid to the auditors of the Group.

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For the financial year ended 31 December 2020

13. NET ASSET VALUE PER UNIT

		Group		Trust	
	Note	2020	2019	2020	2019
Net asset value per Unit is based on:					
- Net assets (US$'000)		907,792	825,310	906,575	807,780
- Total Units issued and to be issued at 31 December ('000)	12	1,060,437	926,379	1,060,437	926,379

14. GROSS REVENUE

	Group	
	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Rental income	117,532	48,130
Recoveries income	18,675	9,365
Other operating income	7,350	3,162
	143,557	60,657

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.

15. PROPERTY OPERATING EXPENSES

	Group	
	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Property taxes	18,450	7,471
Utilities	6,037	2,886
Repair and maintenance expenses	6,211	2,585
Property management fees	5,596	2,513
Other property operating expenses	12,274	5,031
	48,568	20,486

Other property operating expenses comprise mainly of janitorial, security, insurance, and lot and landscaping costs.

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For the financial year ended 31 December 2020

16. FINANCE EXPENSES

	Group	
	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Interest expense on borrowings	13,451	6,572
Amortisation of upfront debt-related transaction costs	1,133	403
Transaction costs related to issuance of preferred shares	1	37
Commitment fees	269	54
Interest expense on preferred shares	17	12
	14,871	7,078

Upfront debt-related transaction costs are amortised over the tenure of the borrowing.

17. OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	Group	
	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Audit and related fees paid/payable to auditors of the Group	514	500
Non-audit fees paid/payable to auditors of the Group	187	81
Tax compliance fees	178	277
Valuation fees	101	85
Other expenses	446	65
	1,426	1,008

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18. TAX EXPENSE

The major components of tax expense for the year/period ended 31 December 2020 are:

	Group	
	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Deferred tax expense		
Movement in temporary differences	1,990	7,268
Current income tax		
- Current year	40	–
Tax expense	2,030	7,268

Reconciliation of effective tax expense

	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Net income for the year/period before tax	25,239	40,971
Tax calculated using United States tax rate of 21%	5,300	8,604
Tax effect of expenses not deductible for tax purposes	4,271	1,874
Tax effect of income not subject to taxation	(7,581)	(3,210)
Others	40	–
Tax expense reported in Consolidated Statement of Comprehensive Income	2,030	7,268

United States tax rate is used as all the properties are based in the United States.

The Group has tax losses of US$11,463,700 (2019: US$488,000) that are available indefinitely for offsetting against future taxable profits of the companies 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

19. EARNINGS PER UNIT

Basic and diluted earnings per Unit is based on:

	Group	
	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Net income for the year/period	23,209	33,704

	Group	
	No. of Units '000	No. of Units '000
Weighted average number of Units	1,036,322	924,119

Basic and diluted EPU are calculated based on the weighted average number of Units for the year/period. This comprises:

(i) The weighted average number of Units in issue for the year/period; and

(ii) The estimated weighted average number of Units to be issued as part payment of the Manager's base fees for the period from 1 October 2020 to 31 December 2020 (2019: 1 October 2019 to 31 December 2019), and Manager's performance fee incurred for the period from 1 January 2020 to 31 December 2020.

Diluted earnings per Unit is equivalent to the basic earnings per Unit as there were no dilutive instruments in issue during the year/period.

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/period, in addition to those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

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For the financial year ended 31 December 2020

20. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group	
	Year ended 31 December 2020 US$'000	7 September 2018 (date of constitution) to 31 December 2019 US$'000
Acquisition of investment properties from a related party [1]	–	1,222,150
Manager's base fees paid/payable	7,355	2,977
Manager's performance fee payable	622	–
Manager's acquisition fees paid	1,650	–
Reimbursement to the Manager	550	1
Reimbursement to a related party	113	60
Trustee fees paid/payable	188	76

(1) In the prior year, the investment properties were acquired from KBS Real Estate Investment Trust III, Inc., an entity related to the Sponsor.

21. FINANCIAL RATIOS

	Group	
	Year ended 31 December 2020 %	7 September 2018 (date of constitution) to 31 December 2019 %
Ratio of expenses to weighted average net assets [1]		
- Including performance component of the Manager's management fees	1.06	1.11
- Excluding performance component of the Manager's management fees	0.99	1.11
Portfolio turnover rate [2]	–	–

(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 period ended 31 December 2019.

(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.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to tax risk, market risk, 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 ("Board") 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 Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current financial period, 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.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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 distribution 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.

As disclosed in the prior period, the United States Department of the Treasury proposed regulations under Section 267A which were not expected to have any material impact on the consolidated net tangible assets or distributions per unit of Prime US REIT.

On 7 April 2020, the United States Department of the Treasury released final regulations under Section 267A (the "Final Regulations"). The Final Regulations will not have any material impact on the consolidated net tangible assets or distributions per Unit of Prime US REIT.

Market risk

(i) ***Currency risk***

Currency risk arises from future commercial transactions, recognised 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 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, 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 2020, the Group had US$379.6 million (2019: US$332.6 million) of variable rate interest borrowings, of which US$330.0 million (2019: US$280.0 million) are hedged with interest rate swaps. The Group had not been exposed to significant interest rate risk.

Sensitivity analysis for interest rate risk

During the reporting period, if the interest rates of borrowings had been 1% (2019: 1%) per annum higher/lower with all other variables constant, the Group's net income before tax would have been US$436,000 (2019: US$205,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate borrowings that are not hedged.

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For the financial year ended 31 December 2020

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Interest rate risk (cont'd)

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. Due to the absence of clarity at this juncture in terms of how the Group's existing commercial terms in its borrowing contracts with lenders may change as well as possible resultant impact on its interest rate swap contracts, management is not in a position yet to reliably assess impact on the Group's financial statements, if any.

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 2020 accounted for 8.8% (2019: 9.1%) 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.

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.

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For the financial year ended 31 December 2020

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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:

			Cash flows		
Group	Carrying amount US$'000	Contractual cash flows US$'000	Within 1 year US$'000	After 1 year but within 5 years US$'000	After 5 years US$'000
2020					
Non-derivative financial liabilities (current)					
Trade and other payables	14,540	14,540	14,540	–	–
Amounts due to related parties	328	328	328	–	–
Rental security deposits	532	532	532	–	–
Non-derivative financial liabilities (non-current)					
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
	499,830	565,822	28,160	414,228	123,434
Derivatives					
Interest rate swaps (net-settled)	23,476	24,893	4,619	18,999	1,275
Trust					
2020					
Non-derivative financial liabilities (current)					
Trade and other payables	385	385	385	–	–
Amounts due to related parties	328	328	328	–	–
	713	713	713	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

			Cash flows		
Group	**Carrying amount US$'000**	**Contractual cash flows US$'000**	**Within 1 year US$'000**	**After 1 year but within 5 years US$'000**	**After 5 years US$'000**
2019					
Non-derivative financial liabilities (current)					
Trade and other payables	16,646	16,646	16,646	–	–
Amounts due to related parties	476	476	476	–	–
Rental security deposits	276	276	276	–	–
Non-derivative financial liabilities (non-current)					
Loans and borrowings	432,824	517,330	14,361	378,177	124,792
Rental security deposits	2,294	2,294	–	1,457	837
Preferred shares	125	203	16	63	125
	452,641	537,225	31,775	379,697	125,754
Derivatives					
Interest rate swaps (net-settled)	6,895	7,381	926	6,455	–
Trust					
2019					
Non-derivative financial liabilities (current)					
Trade and other payables	309	309	309	–	–
Amounts due to related parties	421	421	421	–	–
	730	730	730	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 Monetary Authority of Singapore announced new measures to provide real estate investment trusts listed on the Singapore Exchange 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% with immediate effect.

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 2020 is 33.5% (2019: 33.7%). The Group has complied with the Aggregate Leverage limit during the financial year/period.

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 their 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

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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.

		Carrying amount				Fair value			
Group	Note	Financial assets at amortised cost US$'000	Financial liabilities carried at amortised cost US$'000	Fair value – Economic hedging instruments 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	37,442	–	–	37,442	–	–	–	–
Trade and other receivables[1]	5	1,438	–	–	1,438	–	–	–	–
		38,880	–	–	38,880	–	–	–	–
Financial liabilities not measured at fair value									
Trade and other payables	8	–	14,540	–	14,540	–	–	–	–
Amounts 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
		–	499,830	–	499,830	–	–	482,032	482,032
Financial liabilities measured at fair value									
Derivative liabilities	10	–	–	23,476	23,476	–	23,476	–	23,476
		–	–	23,476	23,476	–	23,476	–	23,476

(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 2020.

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 2020

23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Classification and fair value (cont'd)

		Carrying amount				Fair value			
Group	Note	Financial assets at amortised cost US$'000	Financial liabilities carried at amortised cost US$'000	Fair value – Economic hedging instruments US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2019									
Financial assets not measured at fair value									
Cash and cash equivalents	4	37,862	–	–	37,862	–	–	–	–
Trade and other receivables[1]	5	1,055	–	–	1,055	–	–	–	–
		38,917	–	–	38,917	–	–	–	–
Financial liabilities not measured at fair value									
Trade and other payables	8	–	16,646	–	16,646	–	–	–	–
Amounts due to related parties	8	–	476	–	476	–	–	–	–
Rental security deposits		–	2,570	–	2,570	–	–	–	–
Loans and borrowings	9	–	432,824	–	432,824	–	–	443,120	443,120
Preferred shares		–	125	–	125	–	–	125	125
		–	452,641	–	452,641	–	–	443,245	443,245
Financial liabilities measured at fair value									
Derivative liabilities	10	–	–	6,895	6,895	–	6,895	–	6,895
		–	–	6,895	6,895	–	6,895	–	6,895

(1) Excludes GST Receivables

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23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Classification and fair values (cont'd)

Trust	Note	Carrying amount: Financial assets at amortised cost US$'000	Carrying amount: Financial liabilities carried at amortised cost US$'000	Carrying amount: Total carrying amount US$'000	Fair value: Level 1 US$'000	Fair value: Level 2 US$'000	Fair value: Level 3 US$'000	Fair value: Total US$'000
2020								
Financial assets not measured at fair value								
Cash and cash equivalents	4	2,246	–	2,246	–	–	–	–
Amounts due from subsidiaries	5	24,860	–	24,860	–	–	–	–
		27,106	–	27,106	–	–	–	–
Financial liabilities not measured at fair value								
Trade and other payables	8	–	385	385	–	–	–	–
Amounts due to related parties	8	–	328	328	–	–	–	–
		–	713	713	–	–	–	–
2019								
Financial assets not measured at fair value								
Cash and cash equivalents	4	1,170	–	1,170	–	–	–	–
Amounts due from subsidiaries	5	19,466	–	19,466	–	–	–	–
		20,636	–	20,636	–	–	–	–
Financial liabilities not measured at fair value								
Trade and other payables	8	–	309	309	–	–	–	–
Amounts due to related parties	8	–	421	421	–	–	–	–
		–	730	730	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 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
Assets measured at fair value – recurring				
Non-financial assets				
Investment properties				
- *Commercial*	–	–	1,405,200	1,405,200
Total non-financial assets	–	–	1,405,200	1,405,200
Liabilities measured at fair value – recurring				
Financial liabilities				
Derivative liabilities				
- *Interest rate swaps*	–	23,476	–	23,476
Total financial liabilities	–	23,476	–	23,476

	Group 2019 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
Assets measured at fair value – recurring				
Non-financial assets				
Investment properties				
- *Commercial*	–	–	1,254,700	1,254,700
Total non-financial assets	–	–	1,254,700	1,254,700
Liabilities measured at fair value – recurring				
Financial liabilities				
Derivative liabilities				
- *Interest rate swaps*	–	6,895	–	6,895
Total financial liabilities	–	6,895	–	6,895

23. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(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.

(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 recognised 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$1.41 billion as at 31 December 2020 (2019: US$1.25 billion).

The above fair value has been classified as a Level 3 fair value based on 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 2020

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)*

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	• Discount rate of 6.25% to 8.50% (2019: 6.50% to 8.50%) • Terminal capitalisation rate of 5.75% to 7.75% (2019: 6.00% to 7.75%)	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	• Capitalisation rate of 4.25% to 7.50% (2019: 5.50% to 7.50%)	Higher capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Direct comparison method	• Price per square foot of US$213 to US$560 (2019: US$218 to US$563)	Higher price per square foot would result in a higher fair value, while lower rate 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:

	Group	
	2020	2019
	US$'000	US$'000
Fair value of investment property as at 31 December		
Increase in discount and terminal capitalisation rate of 25 basis points	(92,000)	(81,400)
Decrease in discount and terminal capitalisation rate of 25 basis points	100,700	88,500

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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 reliability 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 are requested to 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 15.3 years (2019: 13.8 years).

Future minimum payments receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2020	**2019**
	US$'000	**US$'000**
Not later than one year	110,627	98,156
Later than one year but not later than five years	335,624	329,526
Later than five years	112,422	130,165
	558,673	557,847

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 2020

25. SUBSEQUENT EVENTS

(a) Distribution

On 17 February 2021, the Manager announced:

(i) a distribution of 3.42 US cents per Unit for the period from 1 July 2020 to 31 December 2020; and

(b) Issuance of fee in units to the Manager

On 3 March 2021, the following were issued to the Manager:

(i) 1,865,482 Units were issued as part payment of management fees for the financial period from 1 October 2020 to 31 December 2020.

(ii) 780,161 Units were issued as full payment of performance fees for the financial period from 1 January 2020 to 31 December 2020.

26. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Manager and the Trustee on 22 March 2021.

STATISTICS OF UNITHOLDINGS

As at 16 March 2021

ISSUED AND FULLY PAID UNITS

There were 1,060,436,473 Units issued in PRIME as at 16 March 2021 (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$858,953,543 based on market closing price of US$0.810 per Unit on 16 March 2021.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 – 99 1	1	0.03	33	0.00
100 – 1,000	296	8.68	269,330	0.03
1,001 – 10,000	1,990	58.36	11,572,900	1.09
10,001 – 1,000,000	1,104	32.38	46,162,834	4.35
1,000,001 AND ABOVE	19	0.56	1,002,431,376	94.53
TOTAL	**3,410**	**100.00**	**1,060,436,473**	**100.00**

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	DBS NOMINEES (PRIVATE) LIMITED	582,358,407	54.92
2	CITIBANK NOMINEES SINGAPORE PTE LTD	68,225,402	6.43
3	TIMES PROPERTIES PRIVATE LIMITED	68,181,000	6.43
4	KEPPEL CAPITAL INVESTMENT HOLDINGS PTE LTD	62,500,000	5.89
5	DBSN SERVICES PTE. LTD.	61,842,541	5.83
6	HSBC (SINGAPORE) NOMINEES PTE LTD	49,827,844	4.70
7	RAFFLES NOMINEES (PTE.) LIMITED	49,011,505	4.62
8	DB NOMINEES (SINGAPORE) PTE LTD	21,663,000	2.04
9	PHILLIP SECURITIES PTE LTD	8,793,003	0.83
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,597,274	0.62
11	BPSS NOMINEES SINGAPORE (PTE.) LTD.	5,283,500	0.50
12	OCBC SECURITIES PRIVATE LIMITED	3,716,400	0.35
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,794,400	0.26
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,780,600	0.26
15	ABN AMRO CLEARING BANK N.V.	2,538,200	0.24
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,257,700	0.21
17	UOB KAY HIAN PRIVATE LIMITED	1,737,100	0.16
18	CHONG YEAN FONG	1,200,000	0.11
19	IFAST FINANCIAL PTE. LTD.	1,123,500	0.11
20	LIM & TAN SECURITIES PTE LTD	995,500	0.09
	TOTAL	**1,003,426,876**	**94.60**

STATISTICS OF UNITHOLDINGS

As at 16 March 2021

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

(As recorded in the Register of Substantial Unitholdings as at 16 March 2021)

	Direct Interest		Deemed Interest		Total Interest	
Name of Substantial Unitholders	No. of Units	%[1]	No. of Units	%[1]	No. of Units	%[1]
Times Properties Private Limited	68,181,000	6.43	Nil	Nil	68,181,000	6.43
Singapore Press Holdings Limited[2]	Nil	Nil	68,181,000	6.43	68,181,000	6.43
Steppe Investments Pte. Ltd.	62,182,000	5.86	Nil	Nil	62,182,000	5.86
Temasek Holdings (Private) Limited[3]	Nil	Nil	95,724,531	9.03	95,724,531	9.03
Keppel Capital Investment Holdings Pte. Ltd.	62,500,000	5.89	Nil	Nil	62,500,000	5.89
Keppel Capital Holdings Pte. Ltd.[4]	Nil	Nil	67,680,474	6.38	67,680,474	6.38
Keppel Corporation Limited[5]	Nil	Nil	67,680,474	6.38	67,680,474	6.38
AT Investments Limited	85,226,000	8.04	Nil	Nil	85,226,000	8.04
Auctus Investments Limited[6]	Nil	Nil	85,226,000	8.04	85,226,000	8.04
Mr Arvind Tiku[7]	Nil	Nil	85,226,000	8.04	85,226,000	8.04
KBS REIT Properties III, LLC	289,561,899	27.31	Nil	Nil	289,561,899	27.31
KBS Limited Partnership III[8]	Nil	Nil	289,561,899	27.31	289,561,899	27.31
KBS REIT Holdings III, LLC[9]	Nil	Nil	289,561,899	27.31	289,561,899	27.31
KBS Real Estate Investment Trust III, Inc.[10]	Nil	Nil	289,561,899	27. 31	289,561,899	27.31

Notes:

(1) The percentage of unitholding is calculated based on the total number of 1,060,436,473 Units in issue as at 16 March 2021.

(2) 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.

(3) 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.

(4) 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")

(5) 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.

(6) Auctus Investments Limited's deemed interest arises from its shareholdings in AT Investments Limited, a wholly-owned subsidiary of Auctus Investments Limited.

(7) 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.

(8) 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.

(9) KBS REIT Holdings III, LLC's deemed interest arises from its shareholdings in KBS Limited Partnership III.

(10) KBS Real Estate Investment Trust III, Inc's deemed interest arises from its shareholdings in KBS REIT Holdings III, LLC, which 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 16 March 2021

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors Unitholdings as at 21 January 2021)

	Direct Interest		Deemed Interest		Total Interest	
Name of Substantial Unitholders	**No. of Units**	**%(1)**	**No. of Units**	**%(1)**	**No. of Units**	**%(1)**
Mr Charles J. Schreiber, Jr.(2)	–	–	15,376,634	1.45%	15,376,634	1.45%
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:

(1) The percentage of unitholding is calculated based on the total number of 1,060,436,473 Units in issue as at 16 March 2021.

(2) Schreiber KAP I, LLC holds a 50% interest in KBS Asia Partners Pte. Ltd.. Schreiber KAP I, LLC is indirectly controlled by Charles J. Schreiber, Jr.. Accordingly, Charles J. Schreiber, Jr. is deemed interested in KBS Asia Partners Pte. Ltd.'s direct interest in Prime US REIT. KBS Asia Partners Pte. Ltd. directly holds 9,695,134 units in Prime US REIT. Also, the Schreiber Trust, whose beneficiaries include Charles J. Schreiber, Jr., holds 5,681,500 units in Prime US REIT.

FREE FLOAT:

Based on information available to the Manager as at 16 March 2021, 39.64% 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

PRIME US REIT

(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, 28 April 2021 at 9.00 a.m. 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 2020 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;

(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

NOTICE OF ANNUAL GENERAL MEETING

(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**" 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;

(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
13 April 2021

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 will not be sent to Unitholders. Instead, this Notice of AGM will be uploaded on the SGXNet and Prime US REIT's website at http://primeusreit.com/.

(2) The proceedings of this AGM will be broadcasted "live" through an audio-and-video webcast and an audio-only feed. Unitholders and investors holding Units through the Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**") who wish to follow the proceedings must pre-register at https://www.primeusreit.com/agm2021 no later than 9.00 a.m. on 25 April 2021. Following verification, an email containing instructions on how to join the "live" broadcast will be sent to authenticated persons by 12.00 p.m. on 27 April 2021. Persons who do not receive the email by 12.00 p.m. on 27 April 2021, but have registered by 9.00 a.m. on 25 April 2021 deadline should contact Prime US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., via email at SRS.TeamD@boardroomlimited.com or via telephone at +65 6230 9768 or +65 6230 9580 (Mondays to Fridays, excluding Public Holidays, from 9.00 a.m. to 5.30 p.m.).

NOTICE OF ANNUAL GENERAL MEETING

(3) Investors holding Units through relevant intermediaries ("**Investors**") (other than CPF/SRS investors) will not be able to pre-register at https://www.primeusreit.com/agm2021 for the "live" broadcast of the AGM. An Investor (other than CPF/SRS investors) who wishes to participate in the "live" broadcast of the AGM should instead approach his/her relevant intermediary as soon as possible in order to make the necessary arrangements. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/Passport number) to Prime US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., via email to SRS.TeamD@boardroomlimited.com or via telephone at +65 6230 9768 or +65 6230 9580 (Mondays to Fridays, excluding Public Holidays, from 9.00 a.m. to 5.30 p.m.) no later than 9.00 a.m. on 25 April 2021.

In this Notice of AGM, a "**relevant intermediary**" means:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, 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;

(b) a person holding a capital market services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, 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.

(4) Due to the current Covid-19 situation in Singapore, a Unitholder will not be able to attend the AGM in person. A Unitholder will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A Unitholder (whether individual or corporate) must appoint the Chairman of the AGM ("**Chairman**") 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 Chairman, as proxy, need not be a Unitholder.

(5) The instrument appointment a proxy (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 Chairman 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 Chairman as proxy for that resolution will be treated as invalid.

(6) The Proxy Form is not valid for the use by Investors (including CPF/SRS investors) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor (other than CPF/SRS investors) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify his/her voting instructions. A CPF/SRS investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator to submit his/her vote by 9.00 a.m. on 16 April 2021 being 7 working days before the date of the AGM.

(7) The Proxy Form must be submitted in the following manner:

(a) if submitted by post, be deposited at the Registered Office of Prime US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

(2) if submitted electronically, be sent via email to SRS.TeamD@boardroomlimited.com;

in either case, by 9.00 a.m. on 25 April 2021, being not less than seventy-two (72) hours before the time appointed for the AGM.

A Unitholder who wishes to submit the 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 provided above.

In view of the current Covid-19 situation, Unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.

NOTICE OF ANNUAL GENERAL MEETING

(8) Unitholders and Investors will not be able to ask questions "live" during the broadcast of this AGM. All Unitholders and Investors may submit questions relating to the business of this AGM no later than 9.00 a.m. on 25 April 2021:

(a) via the pre-registration website at https://www.primeusreit.com/agm2021;

(b) by email to SRS.TeamD@boardroomlimited.com; or

(c) by post to the Registered Office of Prime US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

(9) All documents (including Prime US REIT's Report to Unitholders 2020, 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. Unitholders and Investors are advised to check the SGXNet and Prime US REIT's website at http://primeusreit.com/ regularly for updates.

(10) Any reference to a time of day is made by reference to Singapore time.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a Chairman to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to 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 appointment of the Chairman as proxy for the AGM (including any adjournment thereof) and 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.

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))

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

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.
2. Alternative arrangements relating to attendance at the AGM via electronic means ((including arran gements by which the meeting can be electronically accessed via "live" audio-and-video webcast or "live" audio-only stream), submission of questions to the Chairman (as defined below) in advance of the AGM, addressing of substantial and relevant questions at AGM and voting by appointing the Chairman as proxy at the AGM, are set out in the Notice of AGM dated 13 April 2021. This announcement may be accessed at Prime US REIT's website at http://investor.primeusreit.com/publication.html and the SGXNet.
3. **Due to the current Covid-19 situation in Singapore, a Unitholder will not be able to attend the AGM in person. A Unitholder will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A Unitholder (whether individual or corporate) must appoint the Chairman of the AGM ("Chairman") 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 Chairman, as proxy, need not be a Unitholder.**
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 Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**")) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor (othe r than a CPF/SRS investor) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. A CPF/SRS investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator by 9.00 a.m. on 16 April 2021, being 7 working days before the date of the AGM to submit his/her vote.
5. **PLEASE READ THE NOTES TO THE PROXY 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 Chairman 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, 28 April 2021 at 9.00 a.m. and at any adjournment thereof in the following manner:

No.	Resolutions	Number of Votes For(1)	Number of Votes Against(1)	Number of Votes Abstain(1)
ORDINARY BUSINESS				
1	**Ordinary Resolution** 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 2020 together with the Auditors' Report thereon.			
2	**Ordinary Resolution** To re-appoint Ernst & Young LLP as the Auditors of Prime US REIT and to authorise the Manager to fix the Auditors' remuneration.			
SPECIAL BUSINESS				
3	**Ordinary Resolution** To authorise the Manager to issue Units and to make or grant convertible Instruments.			
4	**Ordinary Resolution** To approve the renewal of the Unit Buy-Back Mandate			

(1) 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 ______________ 2021

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 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, Chapter 289 of Singapore 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.

2. Due to the current Covid-19 situation in Singapore, a Unitholder will not be able to attend the AGM in person. A Unitholder will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A Unitholder (whether individual or corporate) must appoint the Chairman 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 Chairman, as proxy, need not be a Unitholder.

3. Where a Unitholder (whether individual or corporate) appoints the Chairman 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 Chairman as proxy for that resolution will be treated as invalid.

4. The Proxy Form is not valid for use by Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor (other than a CPF/SRS investor) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. A CPF/SRS investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator by 9.00 a.m. on 16 April 2021, being 7 working days before the date of the AGM to submit his/her vote.

5. This Proxy Form must be submitted in the following manner:

   (a) if submitted by post, be deposited at the Registered Office of Prime US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted electronically, be sent via email to SRS.TeamD@boardroomlimited.com;

   in either case, by 9.00 a.m. on 25 April 2021, being not less than seventy-two (72) hours before the time appointed for the AGM.

   A Unitholder who wishes to submit this Proxy Form must first download, complete and sign this Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current Covid-19 situation, Unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.

6. 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.

7. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly appointed officer, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

8. 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 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.

9. 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.

10. Any reference to a time of day is made by reference to Singapore time.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman 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 13 April 2021.

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

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

Mr Charles J. Schreiber, Jr.
Chairman and Non-Executive Director

Professor Annie Koh
Independent and Non-Executive Director

Ms Cheng Ai Phing
Independent and Non-Executive Director

Mr John R. French
Independent and Non-Executive Director

Mr Kevin J. E. Adolphe
Independent and Non-Executive Director

Ms Soh Onn Cheng Margaret Jane
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

Professor Annie Koh, Chairperson

Ms Cheng Ai Phing

Mr Kevin J. E. Adolphe

NOMINATING AND REMUNERATION COMMITTEE

Ms Soh Onn Cheng Margaret Jane, Chairperson

Mr Charles J. Schreiber, Jr.

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.

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6438 8710

For updates or change of mailing address, please contact:

The Central Depository (Pte) Limited

9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588
Tel: +65 6535 7511
Fax: +65 6535 0775
Email: asksgx@sgx.com
Website: www.sgx.com/cdp

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering ("IPO") of PRIME.

PRIME
US REIT

KBS US PRIME PROPERTY MANAGEMENT PTE. LTD.
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