**NEWS RELEASE**

# PRIME US REIT to Distribute 2.46 US Cents Per Unit in 1H2023[1], Maintains 100% Payout and Offers DRP to Unitholders

- 1H2023 DPU of 2.46 US cents represents an annualised distribution yield of 23.6%[2]
- Portfolio occupancy at 85.6% amid notable leasing discussions and office attendance trending higher in 2Q2023; WALE of 3.9 years
- Significant debt headroom of US$231.6 million to the 50% leverage limit (of which includes US$179 million of available and undrawn credit facilities)
- Continued lenders' support - exercise of PRIME's debt extension option in July 2023, no financing maturing till July 2024, 80% of debt's interest rates hedged or fixed
- Manager remains focused on executing proactive leasing strategy and maintaining quality portfolio amidst the flight to quality, while ensuring prudent capital management

**Singapore, 8 August 2023 –** Prime US REIT Management Pte. Ltd., the manager (the "**Manager**") of Prime US REIT ("**PRIME**"), a real estate investment trust with a high-quality office portfolio in the United States (the "**U.S.**"), today published its financial results for the half year ended 30 June 2023 ("**1H2023**").

PRIME's 1H2023 gross revenue of US$79.5 million and net property income ("**NPI**") of US$47.2 million, was 2.9% and 7.2% lower year-on-year (y-o-y), respectively. This was largely attributable to lower occupancy and higher property operating expenses owing to higher physical occupancy with more tenants returning to office. 1H2023 NPI was marginally higher as compared to the immediately preceding half year, second half year ended 31 December 2022 ("**2H2022**"). Factoring in higher financing costs y-o-y, PRIME recorded a 1H2023 distributable income of US$29.2 million based on 100% of Manager's base fee being paid in cash[3]. This translated to a 1H2023 distribution of 2.46 US cents per unit for the period from 1 January to 30 June 2023, representing an annualised distribution yield of 23.6%.

[1] The financial results for the half year ended 30 June 2023 ("1H2023") have not been audited or reviewed.
[2] Based on unit price of US$0.210 as at 30 June 2023.
[3] The Manager has elected to receive 100% of its base fee for 2023 in cash and had previously elected in 1H2022 to receive 20% of its base fee in cash and 80% in units.

## Active Asset Management Strategies Focused on Leasing

PRIME continues to focus on executing its leasing strategies. Over 66.8k sq ft of leases were executed in 2Q2023 at a positive rental reversion of 9.5%, with 34% of total leasing comprising new leases. New tenants comprised companies across a diverse range of sectors including law firms, financial services, technology and general trade. Leases executed in 1H2023 totalled over 131.2k sq ft. Subsequently, in July 2023, PRIME executed a 94.3k sf 3-year lease extension with its largest tenant Charter Communications at Village Center Station I at Denver, extending its lease duration at the asset to 3Q2027.

Leased occupancy as at 30 June 2023 stood at 85.6%, with a weighted average lease expiry ("**WALE**") of 3.9 years. Leased occupancy at four assets increased during the year, and physical occupancy across the portfolio continued to increase gradually over the course of 2023 as several large employers issue re-entry guidelines. The management's key focus remains on lease renewals and executing new leases, and it continues to see increasing interest and more definitive conversations from potential tenants for assets across the portfolio.

Most of PRIME's assets have been built or refurbished in the last 10 years ensuring that buildings are consistent with high standards and that relatively minor improvements are needed to maintain the high quality of the portfolio, as reflected in a budgeted amenitisation and common area upgrade spend of less than 1% of asset value in 2023**.** The Manager will continue to focus on efficient and selective amenitisation to maintain the attractiveness of its assets amid an ongoing flight to quality, whilst continuing to enhance tenant and community activities and tenant engagement.

## Healthy Balance Sheet Position and Prudent Capital Management

PRIME continues to adopt a prudent approach to capital management. As at 30 June 2023, gearing stood at 42.8%, with debt headroom of US$231.6 million to the 50% leverage limit, and US$179 million of undrawn credit facilities.

PRIME has taken steps to proactively manage its balance sheet, and in July 2023 successfully completed the extension of two tranches of its credit facilities aggregating US$400 million initially maturing in July 2023, to July 2024. Following this extension, PRIME does not have any debt maturing till July 2024. Furthermore, PRIME's hedging strategy in terms of both quantum and term of its swaps positions it well to navigate the current high interest rate environment. As at 30 June 2023, 80% of PRIME's debt is hedged or fixed rate to mid-2024 and beyond, including 63% which is hedged or fixed rate to mid-2026 and beyond. PRIME has a fully extended weighted average debt maturity of 2.2 years. Interest coverage was 3.4 times and effective interest cost remains manageable at 3.8%.

PRIME carries out an asset valuation exercise on an annual basis. There have been no material unexpected developments within the portfolio in 1H2023 that would have a material change to the portfolio valuation. The Manager is of the view that the long-term cash generating potential of PRIME's properties has not materially changed due to the recent market uncertainties around return to office, inflation and interest rates, and accordingly will conduct its next annual portfolio valuation in December 2023. As a matter of prudence, the Manager continues to monitor capital and operating expenses across its portfolio to ensure it remains well-capitalised, assess deleveraging alternatives to the extent needed, and focus on the optimal strategies and timing for the refinancing of its credit facilities maturing in July 2024.

As part of its capital management, PRIME will continue to offer its investors the option to reinvest their 1H2023 distributions via a Distribution Investment Plan, as it has done for all its distributions since 1H2021. This consistency of approach provides all unitholders the option to reinvest their distributions proportionate to their unitholdings across office real estate cycles, and concurrently the ability for PRIME to raise new equity and deleverage to the extent of the reinvestment proceeds received.

**Outlook**

According to JLL's Q2 2023 report, U.S. office leasing has begun to rebound in the second quarter after three consecutive quarters of decline, with gross leasing volume growing 11.6% quarter-over-quarter, the fastest growth rate since Q2 2021. The U.S. also saw broad recovery across markets in Q2, with 35 of the 53 markets tracking quarter-over-quarter growth in leasing activity, the highest share since early 2021. Signs are pointing to the increasing likelihood that U.S. office vacancy rates will peak over the near term and begin to decline in 2024.

The US office market remains bifurcated, with supply and demand dynamics vastly different across various markets. Despite caution amongst occupiers and investors, class A and trophy assets continue to benefit from a flight to quality as more tenants elect to downsize or right size their spaces while upgrading to best-in-class spaces. This is beneficial to PRIME.

The labour market remains healthy despite a slowdown in some sectors, with power dynamics continuing to shift in favour of employers who have issued return-to-office mandates. New attendance policies have been put in place by prominent technology companies, insurance companies, law firms, banks and telecom companies in favour of more office-centric attendance in Q2. 1.5 million U.S. employees have been subject to return-to-office policy changes in 2023 so far, and at least 1.0 million will see mandates take effect in the second half of the year. Leasing activity is slowly showing signs of regaining momentum as more tenants return to office, with office attendance improving 9% higher year-on-year.

As tenants become more discerning in a challenging market, PRIME is focused on differentiating its assets in their respective sub-markets to ensure that they remain attractive and can support tenants' long-term needs.

**Mr Harmeet Singh Bedi, Chief Executive Officer of the Manager of PRIME**, said, "Our approach to drive organic growth through our active leasing strategies and diversified portfolio in non-gateway growth markets has provided resiliency amidst bifurcated markets. We are encouraged by the improving physical occupancy across our assets, which continue to increase quarter on quarter, currently at 58% across the portfolio. We are currently engaged in more leasing discussions with prospective tenants and for larger leases compared to six and twelve months ago.

"In anticipation of a flight to quality post COVID, the Manager initiated on behalf of PRIME several capital, operating and ESG initiatives to enhance the attractiveness of PRIME's office buildings to existing and prospective tenants. We are in regular conversations with property managers, leasing teams and tenants to understand tenants' needs and are constantly reviewing and adjusting our asset enhancements and activities at our assets based on tenant dialogue and feedback.

"Furthermore, as a credible Singapore-listed REIT with high-quality, well-located assets and available liquidity, we expect PRIME's leasing efforts to benefit from an environment where tenants are looking for strong, creditworthy, and reliable landlords who can firmly support them in bringing their tenants back to office.

"Strong capital management is a key focus, and we are managing our balance sheet prudently given the current environment. We remain well-capitalised, and this has been reflected in our strong relationships with our financiers who in July 2023 granted us an extension of our credit facilities."

Distribution for the period from 1 January to 30 June 2023:

| | |
|---|---|
| **DPU** | US 2.46 cents |
| **Ex-date** | 16 August 2023 |
| **Record Date** | 17 August 2023 |
| **Payment Date** | 28 September 2023 |

**– End –**

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**About Prime US REIT**

Prime US REIT ("**PRIME**") was listed on the Main Board of the Singapore Exchange on 19 July 2019. It is a well-diversified real estate investment trust ("**REIT**") holding stable income-producing prime office assets in the United States ("**U.S.**"). PRIME offers investors direct exposure to a portfolio of 14 high-quality Class A freehold office properties strategically-located in 13 key U.S. office markets. PRIME's portfolio has a total carrying value of US$1.55 billion as at 30 June 2023.

**About the Sponsor**

The shareholders of KBS Asia Partners Pte. Ltd. ("**KAP**", Sponsor of PRIME) include founding members of KBS, a large operator of premier commercial real estate in the U.S. As a private equity real estate company and an SEC-registered investment adviser, KBS and its affiliates have generated more than US$40 billion worth of transactions on behalf of private and institutional investors since its inception in 1992.

**About the Manager**

PRIME is managed by Prime US REIT Management Pte. Ltd. (formerly known as KBS US Prime Property Management Pte. Ltd.) (the "**Manager**") which is jointly owned by KAP, Keppel Capital Two Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Management Pte Ltd, Times Properties Private Limited, a wholly-owned subsidiary of Cuscaden Peak Investment Pte Ltd (formerly known as Singapore Press Holdings Limited), and Experion Holdings Pte. Ltd., a wholly-owned subsidiary of AT Holdings Pte. Ltd.

For more information, please visit www.primeusreit.com.

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