



# PRIME US REIT Corporate Presentation

25 - 26 August 2020



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The information presented in this document as at and for half year ended 30 June 2020 is not audited or reviewed by the external auditors.

**DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering (“IPO”) of Prime US REIT.**



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# Our Differentiated Proposition in US Office



## Quality

- Class A
- Established Tenants
- Depth of Real Estate DNA



## Diversity & Growth

- Markets
- Industry Sectors
- Tenants



## Stability

- Balance Sheet
- Cash Flows
- Locations

# 2019 Milestones



## IPO LISTING ON JULY 19, 2019

Our Sponsors:

**KBS sph**

**Keppel Capital**

**at** CAPITAL  
PTE. LIMITED



## IPO PORTFOLIO

- 11 Class A Office Buildings
- Diversified over Nine Strategic Markets



## INCLUSION INTO MSCI SINGAPORE SMALL CAP INDEX

- 20 November 2019



## OUTPERFORMED IPO FORECAST

- 2019 DPU of US 3.15 cents
- 7.5% higher than IPO Forecast

# 1H 2020 Key Highlights

## Delivering Performance and Stability



### OUTPERFORMED IPO FORECAST

- 1H 2020 DPU of US 3.52 cents exceeded forecast by 5.1%



### STRONG BALANCE SHEET

- Low gearing of 33.0%
- Strong NAV of US\$0.87
- Ample liquidity of US\$91.4 M



### PROACTIVE CAPITAL MANAGEMENT

- Reduced interest cost by >US\$1M per year through 2023



### ACCRETIVE ACQUISITION

- Maiden acquisition of Park Tower for US\$165.5 M



### RESILIENT PORTFOLIO

- Occupancy 93%
- WALE of 4.8 years
- Rental reversion of 8.5%

# 1H 2020 Outperformed DPU Forecast by 5.1%

	1H 2020 1 January to 30 June 2020		
	Actual (US\$ '000)	Forecast <sup>1</sup> (US\$ '000)	Variance (%)
Net Property Income	47,450	44,089	+7.6
Distributable Income to Unitholders	35,878	31,185	+15.0
DPU (US cents)	3.52 <sup>2</sup>	3.35	+5.1
DPU Yield	9.1% <sup>3</sup>		

Increased net property income (NPI) partially offset by short term reduction in demand for parking

Distributable Income and DPU higher than forecast due to higher NPI, and lower trust and interest expense

[1] The forecast figures were derived from the apportionment of Forecast for Projection Year 2020 financials as disclosed in the Prospectus.

[2] Including the advance distribution of US 0.96 cents per unit paid to unitholders for the period from 1 January 2020 to 20 February 2020

[3] Based on annualized DPU against closing unit price of US\$0.78 as at 30 June 2020

# Robust Balance Sheet

Name of Property	30 June 2020 (US\$ m)
Investment Properties	1,427.2
Total Assets	1,467.2
Borrowings	478.8 <sup>1</sup>
Total Liabilities	547.5
Net Assets attributable to Unitholders	919.8
NAV per Unit (US\$)	0.87
Adjusted NAV per Unit (US\$)	0.85 <sup>2</sup>
Unit price at 30 June (US\$)	0.78

[1] Borrowings net of unamortized upfront borrowings costs of US\$4.8m

[2] After deducting US 2.56 cents of residual dividends to be paid for 1H 2020

[3] Including the advance distribution of US 0.96 cents per unit paid to unitholders for the period from 1 January 2020 to 20 February 2020, the total DPU for 1H is US 3.52 cents

Payout of 100% of  
distributable  
income

Deep value in share  
price relative to  
NAV and  
underlying business  
strengths

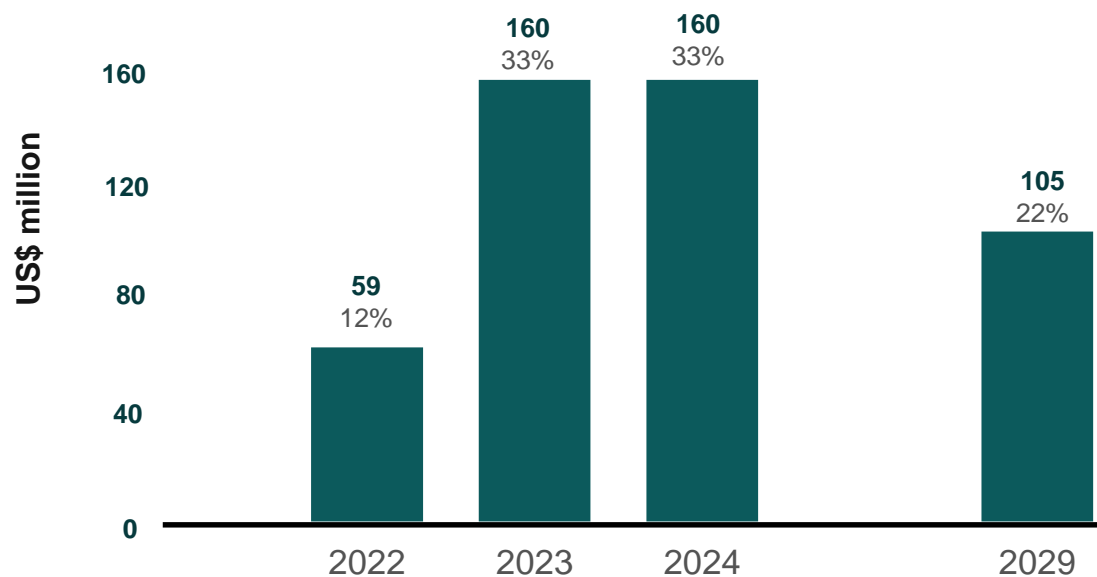
Distribution for the period from  
21 February to 30 June 2020<sup>3</sup>

DPU	US 2.56 cents
Ex-Date	14 Aug 2020
Record Date	17 Aug 2020
Payment Date	23 Sep 2020



# Conservative Gearing with Ample Liquidity

## Well Staggered Debt Maturities



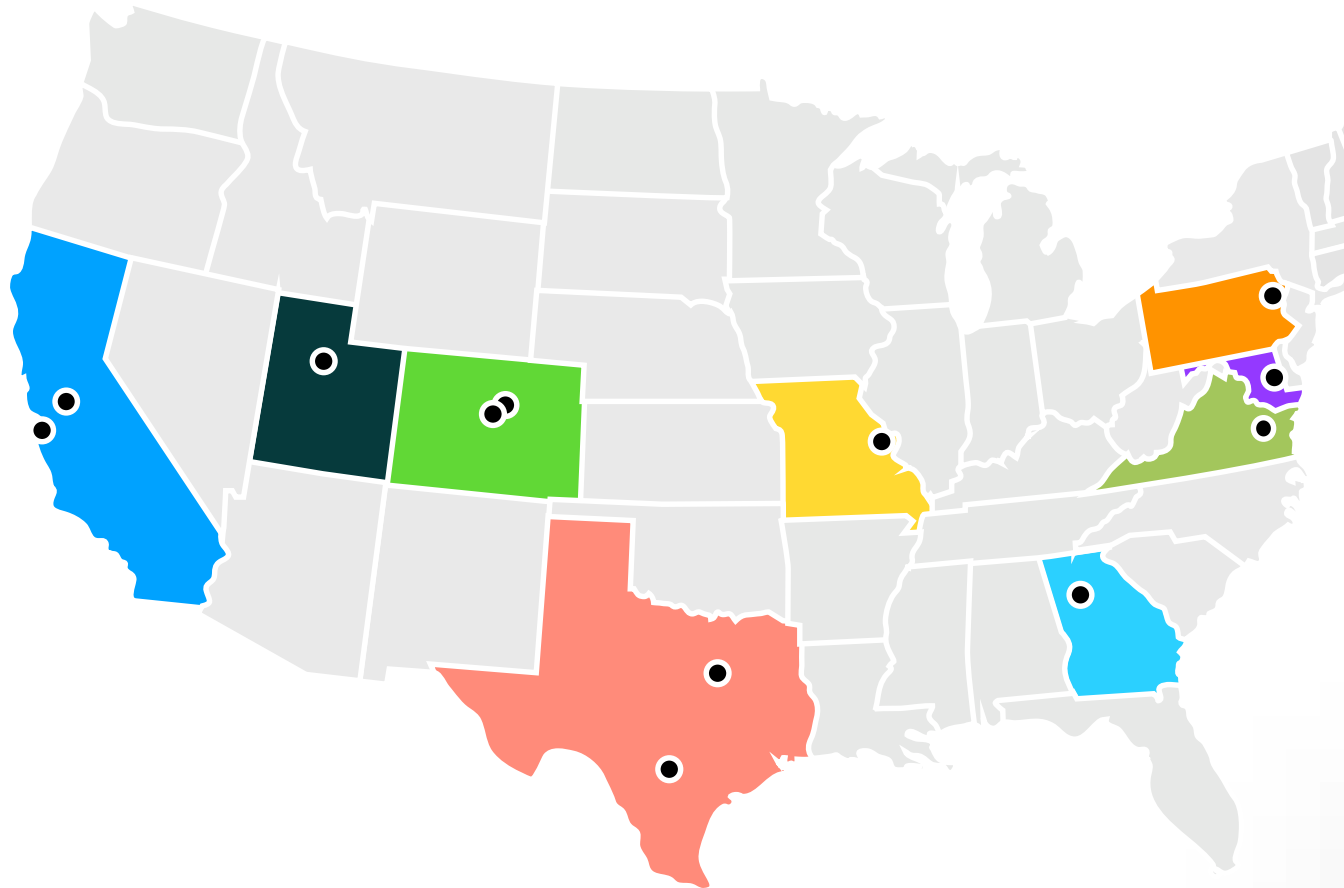
	31 Dec 2019	30 Jun 2020
Gearing	33.7%	33.0%
Interest Coverage <sup>1</sup>	5.1x	5.4x
% Fixed Rate	88.0%	90.0%
Average Debt Maturity	5.2 years	4.6 years 5.1 years [fully extended]
Available Undrawn Facility	US\$47.4 M	US\$91.4 M
Effective Interest Rate <sup>2</sup>	3.3%	2.6%

[1] Calculated as net income plus tax expense, net finance expense, change in fair value of derivatives and amortisation of lease commissions, minus net change in fair value of investment properties divided by finance expenses, including amortisation of upfront debt-related costs and commitment fees, for period from listing date 19 Jul'19 to 31 Dec'19 and 19 Jul'19 to 30 Jun'20. Excluding upfront debt related costs, the ICR for period ended 31 Dec'19 would have been 5.5x

[2] Based on interest expense (excluding amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings outstanding as of 31 Dec'19 and 30 Jun'20

# Focus on Growth Cities

In established and growth markets

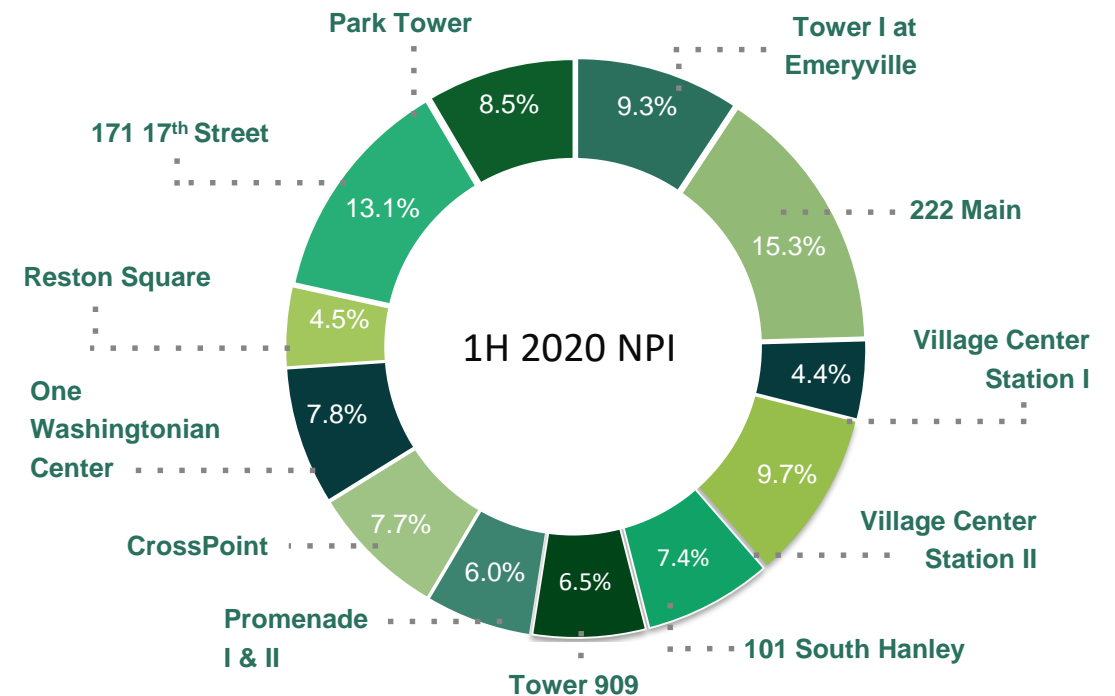


State	Metro	Property	Sq. Ft.	Occupancy
California	Sacramento	Park Tower	489,171	92.7%
	San Fran/Oakland	Tower I at Emeryville	222,207	93.7%
Utah	Salt Lake City	222 Main	433,346	94.4%
Colorado	Denver	Village Center Station I	241,846	65.1%
		Village Center Station II	325,576	100.0%
Texas	Dallas	Tower 909	374,251	94.7%
	San Antonio	Promenade I & II	205,773	99.1%
Missouri	St. Louis	101 S. Hanley	360,505	98.1%
Pennsylvania	Philadelphia	Crosspoint	272,360	99.3%
Washington DC	Washington DC (VA)	Reston Square	139,018	100.0%
Washington DC	Washington DC (MD)	One Washingtonian	314,284	95.5%
Georgia	Atlanta	171 17th St.	510,268	86.3%

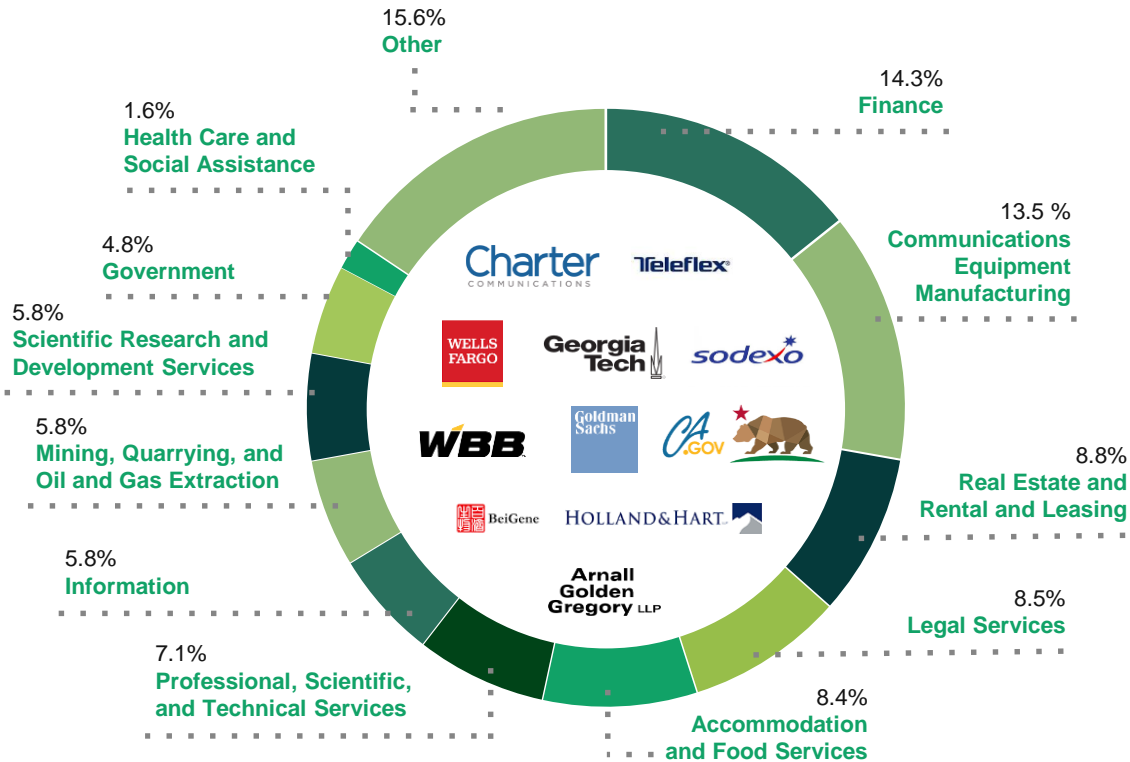
- Highly educated workforce
- Strong employment growth
- Affordability
- Transportation infrastructure
- Lower density urban environments

# Resilient Income Through Diversification

- No one property contributes more than 15.3% to net property income
- 99.8% of Cash Rental Income (CRI) has built in rental escalations averaging 2%
- Focus on leasing and property expense management to drive property performance



# Balanced Industry Sector Diversification



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

## Top 10 Tenants

Tenant	Industry	Credit Rating	Property	Leased Sq.Ft.	% of Portfolio CRI <sup>1</sup>
Charter Communications	Communications	Moody's: Ba1	Village Center Station I & II	419,881	8.8%
Goldman Sachs Group Inc.	Finance	Moody's: A3 S&P: BBB+ Fitch: A	222 Main	177,206	6.1%
Sodexo Operations LLC	Accommodation and Food Services	S&P: A-	One Washingtonian Center	190,698	5.5%
Arnall Golden Gregory LLP	Professional, Scientific, and Technical 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	141,372	3.2%
Wells Fargo Bank NA	Finance	Moody's: a1 S&P: A+	171 17th Street	106,030	2.8%
Whitney, Bradley & Brown	Communications Equipment Manufacturing	Private Firm	Reston Square	73,511	2.7%
Teleflex	Manufacturing	S&P: BB+	CrossPoint	84,008	2.5%
WeWork	Real Estate and Rental and Leasing	Fitch: CCC+	Tower I at Emeryville	56,977	2.4%
<b>Total</b>				<b>1,461,883</b>	<b>40.8%</b>
<b>WALE Top 10</b>					<b>5.6 Years</b>

[1] Data for Cash Rental Income as per 30 June 2020  
 [2] Established: Finance, Real Estate, Legal, Government

STEM/TAMI: Communications, Health Care, Scientific R&D Services, Information, Professional, Scientific and Tech Services.

# Proactive Lease Management

Strong leasing activity in 1H 2020 of 82,549 sq ft

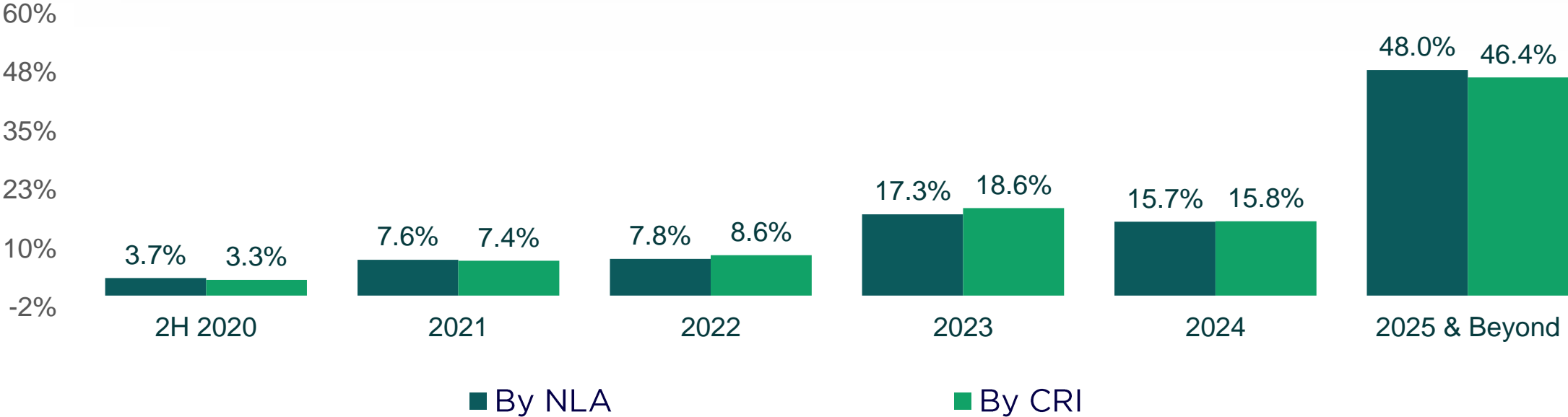
Over 60% was renewed/expanded by existing tenants

Post 1H, an additional 36k sq ft of renewals and expansion leases executed by existing tenants at positive reversions

Minimal lease deferrals of 0.2% of annualized CRI and no rent abatements

<p><b>1.9%</b> by CRI of portfolio leased in 1H 2020</p>	<p><b>4.8yrs</b> WALE</p>	<p><b>8.5%</b> Positive rental reversion<sup>1</sup></p>
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## Stable Tenancy Profile with Well Staggered Expirations



[1] Excluding short term lease extensions

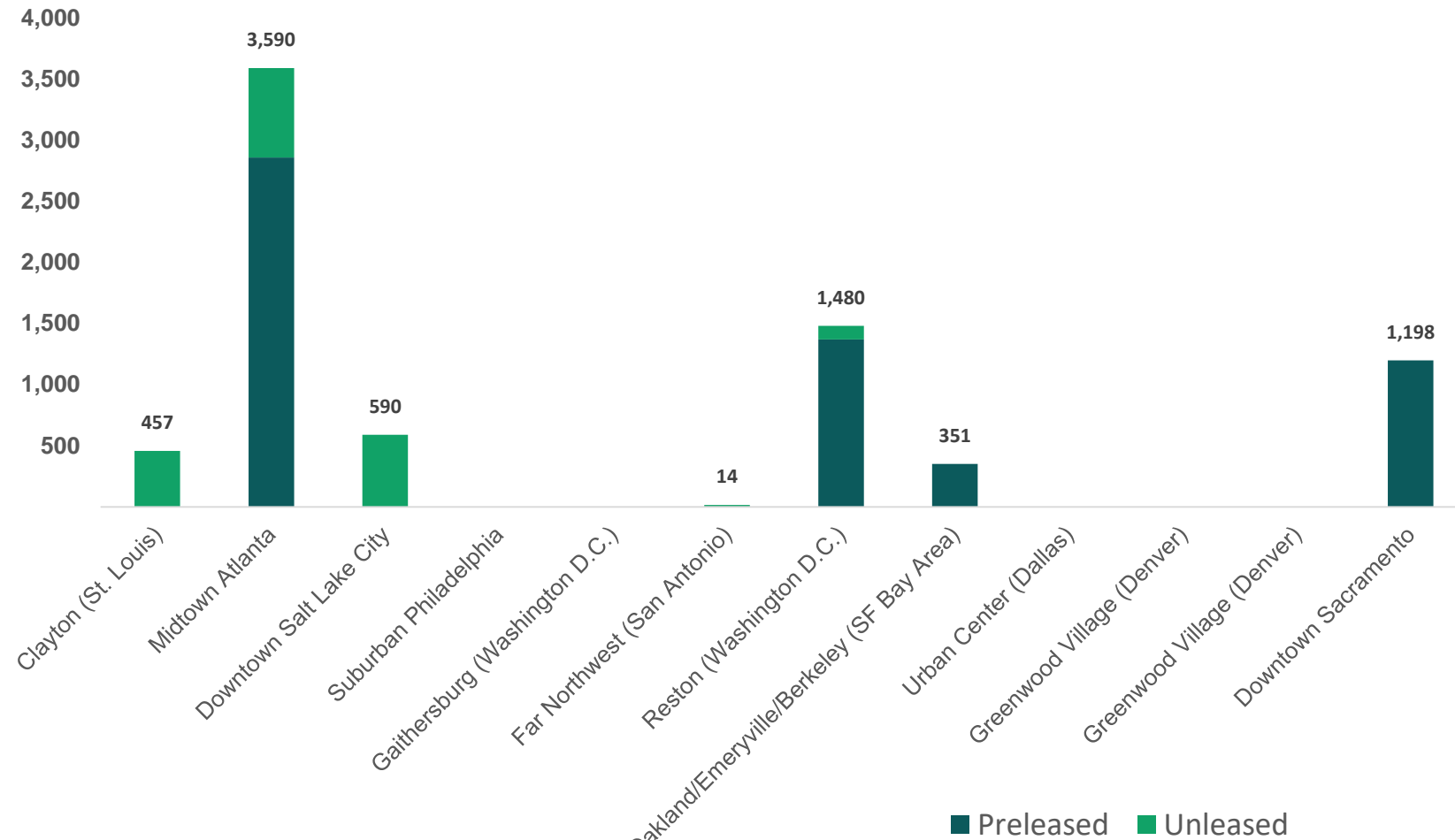
# Solid Markets with Rental Reversion Opportunities

Name of Property	Annual In Place Rent (US\$)	Annual Asking Rent (US\$)	Potential Rental Reversion	WALE	Leased % as at June 30	Lease expiry through 2021 by CRI
Tower I at Emeryville	\$52.82	\$54.60	3.4%	6.3	93.7%	0.2%
222 Main	\$37.26	\$36.90	-1.0%	4.6	94.4%	2.1%
Village Center Station I	\$22.69	\$24.00	5.8%	3.9	65.1%	0.1%
Village Center Station II	\$23.74	\$23.50	-1.0%	8.0	100.0%	0.0%
101 South Hanley	\$27.36	\$30.00	9.6%	4.5	98.1%	1.3%
Tower 909	\$27.98	\$32.24	15.2%	4.1	94.7%	1.7%
Promenade I & II	\$25.10	\$28.00	11.6%	3.5	99.1%	1.6%
CrossPoint	\$33.25	\$38.00	14.3%	3.8	99.3%	0.5%
One Washingtonian Center	\$34.94	\$36.00	3.0%	4.4	95.5%	0.2%
Reston Square	\$41.68	\$37.00	-11.2%	3.6	100.0%	0.0%
171 17th Street	\$27.42	\$27.00	-1.5%	5.2	86.3%	0.8%
Park Tower	\$30.57	\$40.50	32.5%	4.8	92.7%	2.1%
<b>Total / Weighted Average</b>	<b>\$31.41</b>	<b>\$33.77</b>	<b>7.5%</b>	<b>4.8</b>	<b>93.0%</b>	<b>10.7%</b>

- Portfolio has in place rents below asking rent by 7.5%
- Upcoming lease expiries well spread across portfolio reducing single asset exposure
- Reston Square fully occupied and no maturities through 2021

# New Construction

## Under Construction (000's sq ft)



Source: CoStar July 2020

- Midtown Atlanta: continues to attract large corporations and has benefited from a wave of tech-oriented companies; Microsoft recently leased 523,000 sq ft (post-COVID) across the street, bringing pre-leased space to 2.8 million sq ft, or nearly 80% of available space
- As part of its nationwide commercial property expansion Microsoft also signed a 396,740 sq ft lease in Reston, which has increased the preleased status of that market to 92.6%
- Remaining markets have little or no new supply

# The Future of Office: Flexibility

***Favorable trends for PRIME's current portfolio and growth strategies***

## Demand

- Established professional and financial services sectors will continue to provide a stable base of demand
- Growing technology sectors will continue to drive office demand for collaboration and innovation

## Work From Home

- Pre-COVID, corporates had WFH policies in place
- Companies with WFH policies still require office space for efficiency, creativity, and collaboration
- CBRE Global Occupier Sentiment Survey found more flexible work environment is important; physical office remains important; 60% of participants are pursuing renewals and are optimizing their portfolios; 70% are confident in setting long-term real estate strategies

## Location

- Urban environments have historically weathered event driven shocks
- Companies prefer locations that offer access to large numbers of skilled employees
- Incoming generation of office workers value lifestyle amenities of urban environment

## De-densification

- Short-term – to spread out employees to create less dense environments
- Longer-term – current footprint sizes likely to remain steady, balancing relaxing of space density with potentially less office space headcount
- CBRE Survey noted that co-working will play a role in satisfying a more hybrid workforce (in-office and remote working)



# COVID Update: From Health/Safety to New Physical Footprint



## Cleaning

- Frequent and Deep Cleaning
- Air & Water Quality Ventilation Improvements
- Technology Solutions including efficient UV Light Treatments



## Physical Distancing

- Manage current work environment and the “six feet” guidelines
- Clear public space density Guidelines
- Updated procedures for Events & Visitors



## Protective Measures

- Personal Protective Equipment (PPE)
- Hand Sanitizing Stations



## Communications

- On-Premise Signage Standards
- Ongoing Communication
- Proactive Tenant Engagement to facilitate return to office process

# Well Positioned to Move Forward



## Recovery Readiness, Tenant Retention and Satisfaction

- Rent collections stable at 99% in each month of 2Q
- Work closely with tenants through re-occupancy process
- Provide clear communications of new procedures to building occupants



## Leasing Strategies

- Lease extensions
- Lease expansions
- Benefit from de-densification



## Evaluate growth opportunities

- Growth markets
- Focus on technology and established industry sectors
- Flexible work environments

# Durable Today

## Positioned To Thrive



- Strong balance sheet with ample liquidity
- Ability to pursue DPU accretive acquisitions



- Long WALE of 4.8 years
- High occupancy of 93%
- Strong and stable rent collections



- High quality office portfolio across ten markets with strong historical employment demand
- Diversified base of corporate credit tenants



# Thank You



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



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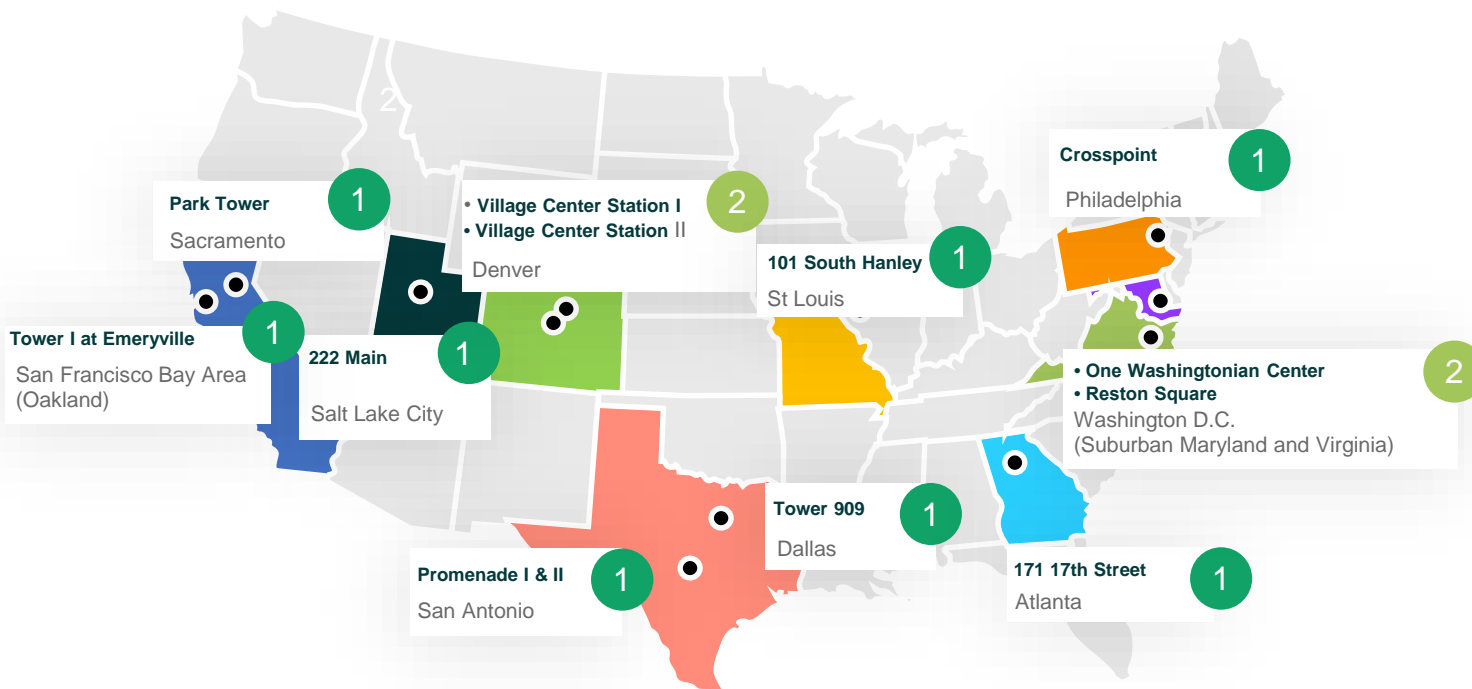
1 Raffles Place  
#40-01 One Raffles Place  
Singapore 048616



# PRIME (SGX: OXMU)

## Quick Facts

High quality portfolio of prime office properties, diversified across key U.S. office markets



us\$822m

Market Cap<sup>1</sup>

us\$35.9m

1H 2020 Distributable Income

9.1%

Distribution Yield<sup>2</sup>

33.0%

Gearing Ratio

us\$1.427b

Valuation<sup>3</sup>

12

Prime U.S. Office Properties

A

All Class A Office Properties

93%

Portfolio Occupancy

100%

Freehold Land Title

3.9m sq ft

NLA

99.8%

CRI with built-in rental escalation

4.8 years

WALE

# Financially Strong and Committed Sponsor Group

**KBS**

Three decades of experience as leading US Office player

Transacted US\$42b with over \$8 bn of AUM

Experienced asset management team

Depth of deal pipeline and target market opportunities

**Keppel Capital**

Preeminent player in Singapore real estate and REIT markets.

Keppel DC REIT CEO active representative on the board

Provision of support services on the ground

**sph at CAPITAL PTE LIMITED**

Financial commitment to the REIT and Manager

Active representation on the board