Keppel Pacific Oak US REIT

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

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS FOR THE ANNUAL GENERAL MEETING ON 20 APRIL 2022

Keppel Pacific Oak US REIT Management Pte. Ltd., as manager of Keppel Pacific Oak US REIT (the "**Manager**"), wishes to thank all unitholders of Keppel Pacific Oak US REIT ("**Unitholders**") who have submitted their questions in advance of the Annual General Meeting to be held on 20 April 2022.

The Manager's responses to substantial and relevant questions received from Unitholders shall be published in this announcement. For Unitholders' ease of reference and reading, the Manager wishes to inform Unitholders that it had summarised and consolidated certain related and similar questions under relevant topic headings, and made editorial amendments to some of the questions to ensure that the meaning of each question is clear. For the avoidance of doubt, the editorial amendments do not change the meaning of the questions.

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

Darren Tan
Company Secretary

14 April 2022

Important Notice

ANNEX A - LIST OF SUBSTANTIAL AND RELEVANT QUESTIONS AND ANSWERS

No	Unitholder Questions	Responses
1	**Are there any potential new acquisitions in the coming months and what would the impact be on KORE's DPU?** **What are your criteria for acquisitions? Kindly advise the types of property and location.** **How much reliance does the Manager put on the projected market rental growth in its leasing and investment decisions?**	The past two years have been challenging as markets and the global economy continue to emerge from the COVID-19 pandemic. Notwithstanding that, we were able to deliver on two acquisitions – Bridge Crossing and 105 Edgeview in August 2021. We are continuously on the lookout for opportunities in key growth markets in the United States (US), particularly on the defensive sectors of technology, advertising, media and information (TAMI), medical and healthcare, to seek out high-quality assets and deliver value accretive acquisitions in Super Sun Belt and 18-Hour Cities[1]. These highly sought-after markets have been encountering increasing demand in the past few quarters as more people are starting to move out of densely populated cities, and where metrics that include employment, population and GDP growth generally outpace the US national average. Apart from our existing markets, other attractive key growth markets we are looking to enter into include Phoenix in Arizona, Raleigh and Durham in North Carolina, Salt Lake City in Utah, San Antonio in Texas, as well as Tampa and Miami in Florida. These markets are poised to benefit from positive demographics, company relocations and the trend of companies adopting a 'hub-and-spoke' model, where they may have a main office in gateway cities but open smaller satellite offices in key growth markets to tap on the deep talent pools. Projected market rental growth figures from reports are just one aspect that KORE uses to consider leasing and investment decisions – and third party projections are projections that do not necessarily reflect management's views. The experienced asset management and marketing teams', coupled with their expertise and knowledge on the current trends of the rental market further supports KORE's leasing front. We remain committed to leverage on KORE's focus on key growth markets in the US and aim to be the first choice US office S-REIT providing sustainable distributions and strong total returns for Unitholders.
2	**With the easing of the COVID-19 restrictions, do you expect to see an increase in office demand?**	Physical offices remain important and essential for social interaction, workplace collaboration and talent retention. As people are adjusting to endemic living, we believe this will further boost office demand in 2022. Leasing activities have shown further signs of improving office demand as the US office market registered a positive net absorption for the first time since the pandemic began in Q4 2021, demonstrated by a 9.2%[2] increase in leasing velocity. The amount of sublease space has also receded since Q3 2021.

[1] Emerging Trends in Real Estate 2021 – US & Canada by PwC and the Urban Land Institute (ULI). Super Sun Belt Cities include Atlanta, Dallas and Houston;18-Hour Cities include Austin, Denver, Nashville and Seattle.
[2] "US Office market, statistics, trends and outlook", JLL, Link

		In addition, CBRE's latest Tech-30 report indicated that the tech hub of Seattle saw the highest office rent growth in the last two years, while Austin, Denver and Nashville were among the top 10 markets. Tech budgets are also expected to expand by 6.7% in 2022. We remain optimistic that these growing and defensive tech markets where KORE has a presence in will continue to experience healthy office demand.
3	**What are the challenges the Manager faced to increase/maintain occupancy rates? What were the retention rates of tenants with expired leases?** **How early in advance does the Manager start the lease renewal process?** **What plans do you have to improve the occupancy?** **Are there any further asset enhancement plans for KORE's portfolio?**	We have observed lower physical occupancy because of the COVID-19 pandemic and the work from home model that seems to be mostly transitioning to a hybrid model. Despite that, we experienced an increase in physical occupancy during the tail end of 2021, and have also continued to sign leases in the first quarter of 2022. We are also especially encouraged to see a number of large companies, starting with Microsoft and now including Apple, Google and others, announcing plans to bring their employees back to the office over the next several months, which should lead to physical occupancy increasing significantly. The turnover rate for KORE's portfolio tends to be fluid as majority of our tenants are tech tenants, who will expand and contract space for multiple reasons. We remain focused on active leasing management to optimise occupancy and curate a quality tenant profile. In our engagements with tenants, there have been discussions about rightsizing as some tenants move toward a flexible hybrid working model. While we have seen a pick-up in leasing, there are some firms that are still figuring out their long-term space needs. Typically, we will attempt to engage tenants three to twelve months in advance to understand their renewal intention and work with them on their future space planning. We leased approximately 730,619 sf of space in 2021, equivalent to 14.9% of net lettable area, closing off the year with a high committed occupancy of 91.9%. We will have some tenant roll in 2022, but we plan to continue backfilling the tenant spaces which are or become vacant throughout the year. Across KORE's portfolio, there were several asset enhancement initiatives (AEIs) completed in 2021. These included the building of speculative office suites that offer move-in ready customised spaces for prospective tenants, as well as the installation of needlepoint bipolar ionisation systems within heating, ventilation and air conditioning units to reduce transmissions risks as they active pollutants. We believe these additional features will further attract and create value for existing and future tenants. The Manager will continue to work with the respective property managers to ensure regular building maintenance and the implementation of AEIs to improve tenants' experience and the competitiveness of KORE's properties.

4	**Having reviewed the Independent Market Review (IMR) by Cushman & Wakefield in KORE's Annual Report 2021, it has come to my attention that the prospects of the office rental market in Georgia is not promising.** **With market rent for Georgia at US$29.90 (Page 37), it is lower than the Local Market asking rent of approximately US$32 (Page 23). Moreover, the report shows an increased vacancy and flat rental rate growth for the Georgia market. Drawing relevance to KORE, the two investment properties based in Atlanta, Georgia (Powers Ferry and Northridge Centre I & II) can be seen to be underperforming relative to the rest of the portfolio, with vacancies at 84.2% and 77.9% respectively. Can management share their considerations and justify the continued investment in the Georgia properties?** **In particular, Powers Ferry, Atlanta, Georgia (Page 59), has a lease expiry profile of 30.9% (by CRI) for 2022. Can management update if any actions have been taken towards renewing current leases / seeking tenants in view of this significant proportion of lease expiring this calendar year?**	The Atlanta market continues to demonstrate strength in rental growth figures and decent leasing demand. According to the IMR, the direct average asking rent for Atlanta, Georgia, continued its upward climb to US$29.90 psf, a 4.6% year-on-year uptick. Both the CBD and suburban markets experienced substantial rental growth over the past two years, and healthy pre-leasing levels in under-construction assets can be expected to push vacancy rate downward throughout 2022. What we experienced at our Atlanta properties were rollovers of a few specific tenants over a short timeframe. Due to the pandemic, we did not see the same leasing levels as what we have seen in the past. What we have done was to undertake several AEIs at these properties to create interest and improve the leasing velocity in those assets. The overall demographics and market trends in Atlanta remain strong and we continue to include it in our target markets. We are currently monitoring the situation at these two properties as we do with our entire portfolio and will be open to capital recycling from within the portfolio when the time is right for individual properties. For now, we continue to work with existing tenants to keep them in the space when possible and desirable and to work with new potential tenants to fill the vacancy.

5	**Referencing Page 64-65 of KORE's 2021 Annual Report, it has come to my attention that the weighted average lease expiry (WALE) of KORE decreased from 2.9 years to 2.8 years, with 21.9% of debt expiring in 2022.** **i. Can management provide an update on the actions to refinance this debt?** **ii. Additionally, can management address why actions were not taken earlier to improve the WALE of KORE in FY2021?**	As part of our proactive capital management strategy, we have, in January, secured new loan facilities of US$80 million. In February 2022, the new loan facilities together with existing revolving credit facilities were used to early refinance KORE's long-term loans due only in November 2022. This refers to the two remaining loans taken during our IPO in November 2017. In our FY2021 results presentation, we had disclosed two debt maturity profile charts. Assuming the early refinancing of the loans due in November 2022 had been completed as at 31 December 2021, KORE will only have 7.7% of debt due in 2022. With this, our weighted average term to maturity would have been 3.2 years. The minor year-on-year change in WALE was due to the passage of time. At the same time, KORE's relatively shorter WALE is reflective of the types of markets and tenants that we sign, especially those in the technology sector and related industries, which allows them the flexibility for company growth and expansion. At the same time, in a typical market cycle, a relatively shorter WALE allows us to markup rents in a favourable market, while allowing us to dollar cost average down in a slower market, protecting us against big swings in rent.
6	**What is management's view of interest rate trends?** **In view of the potential interest rate hikes by the US Federal Reserve, what measures will you take to manage your debt?** **What is management's strategy to optimise its capital management in light of the rising interest rate environment?**	Management expects to see a relatively long period of interest rate growth over the medium term. Relative to that, 100% of KORE's borrowings are unsecured and US dollar-denominated, providing a natural hedge for its US investments and income. We have been taking active steps to manage the REIT's interest rate exposure. Interest rates of long-term loans have been substantially hedged with floating-to-fixed interest rate swaps. As at 31 December 2021, approximately 83.4% of the REIT's non-current loans have been hedged through floating-to-fixed interest rate swaps, providing a significant reduction in our near-term exposure to interest rate increases. KORE has no long-term loans refinancing requirements until November 2023. We will continue to refinance debt well before its maturity date and to hedge a significant portion of the debt to fixed in the near term to protect against interest rate swings.
7	**What is the DPU impact with rising utility cost and interest rate?**	We do not expect changes in utility costs to have a significant impact on DPU as these constitute recoverable expenses. For every + 50bps in London Interbank Offered Rate (LIBOR) or Secured Overnight Financing Rate (SOFR), that translates into 0.060 US cents in DPU per annum.

8	**On 7 February 2022, the Group early refinanced the US$84.7 million loan due in November 2022 with the new loan facilities of US$80.0 million and the remaining with an existing revolving credit facility.** **i. The USD term loan with November 2022 maturity has interest costs of LIBOR + 1.19%. What are the rates for the new facilities amounting to US$80 million?** **ii. In addition, can the Manager help unitholders better understand the rationale of using its revolving credit facilities (RCFs) to refinance its term loans? What are the rates for the RCFs?**	The all-in margin of the existing US$84.7 million loan adjusted for the LIBOR-SOFR adjustment spread for 3 months LIBOR as announced by the International Swaps and Derivatives Association (ISDA) is similar with the pricing of the new US$80.0 million SOFR loan. The remaining US$4.7 million was simply a small remainder given the amounts of the old and new loans and it therefore rolled into our credit facility. The interest cost of the revolving credit facility is also lower as compared to the existing loan.
9	**What deliberations have the independent directors made to quantify the (negative) NAV-impact of carrying out a private placement at a price below the NAV per unit for the then-existing Unitholders?** **Before placing out new Units at a discount to fund the acquisition, how did the Manager evaluate the cost of capital (including the impact of dilution) to the then-existing Unitholders?** **With the high cost of capital due to dilution, the potential benefits of the acquisition would have been made less attractive. What are the**	In determining the appropriate type of equity funding, the Board and the Manager considered the prevailing market conditions as well as various aspects, that include the size of the transaction, and the level of distribution per unit (DPU) and net asset value (NAV) accretion to Unitholders, while maintaining an optimum level of gearing. We acknowledge that the issue price was at a discount of 7.9% to the volume weighted average price (VWAP). However, we were only trading at 3.3% below the adjusted VWAP[3]. The increase in the total number of Units in issue and enlarged Unitholder base serves to enhance the free float and trading liquidity of the Units and raise the profile of KORE among investors. The final issue price at US$0.733 per New Unit was within the range of issue price where the acquisitions would be accretive based on the blended cost of capital. And therefore, even after taking into consideration the additional units issued under the private placement, the acquisitions remain DPU accretive to all Unitholders. The amount raised at US$65 million was small and therefore the Manager believed that all Unitholders would benefit from the accretive acquisitions that expanded and improved the portfolio with lower market risks, greater certainty of pricing and lower equity fund raising costs of an accelerated private placement process.

[3] The adjusted VWAP is computed based on the VWAP of trades in the Units done on the SGX-ST for the preceding Market Day on 27 July 2021 up to the time the Subscription Agreement was signed and subtracting the Cumulative Distribution (as defined in the Announcement) of approximately 3.80 U.S. cents per Unit (being the mid-point of the estimated Cumulative Distribution Range (as defined in the Announcement)). This amount is only an estimate based on information currently available to the Manager, and the actual Cumulative Distribution may differ and will be announced on a later date.

	deliberations of the manager/independent directors on the risk/reward ratio? **Did the board consider a rights issue?**	In evaluating fund raising options, the Board and Manager will continue to take into consideration the amount of equity to be raised, prevailing market conditions, accretion level of the proposed acquisitions and other contractual and regulatory conditions that may need to be fulfilled. The Manager believes that the strategic addition of quality assets and continued active asset management of the existing portfolio will enable the growth of the long-term value of the portfolio, thus enhancing NAV over time whilst delivering stable and sustainable distributions to Unitholders.
10	**Regarding Resolution 5 on the issue of Units to make or grant convertible instruments:** **iii. What is the envisioned approach to issue Units?** **iv. How will you utilize such monies in the near and long-term?**	While KORE is seeking to renew its general mandate at the upcoming AGM (which in short, relates to the issuance of Units and convertible securities on a pro-rata basis of up to 50% of the total number of Units and the issuance of Units and convertible securities other than on a pro-rata basis of up to 20% of the total number of Units) in line with the maximum limits prescribed by SGX, these limits are to afford KORE with the flexibility to issue Units and to make or grant convertible instruments as part of our prudent capital management strategy, but does not necessarily mean that KORE intends to utilise the maximum limit. We seek to employ an optimal mix of debt and equity in our financing requirements, including the funding of potential acquisitions, to optimise returns while maintaining financial flexibility. In so doing, KORE will consider all circumstances such as prevailing market conditions, leverage limit etc. before deciding whether to undertake an issuance of Units.
11	**Regarding Resolution 6 on the Unit buy-back mandate:** **iii. Under what circumstances would the company apply this mandate?** **iv. How will the Unit buy-back impact Unitholders' dividends?**	Unit buy-back enhances returns for Unitholders in the long term as buying back Units below net asset value is accretive to Unitholders. In considering the buy-back of Units, the Manager will only purchase Units when it is in the best interests of the REIT and Unitholders, and is accretive to distribution per Unit, while maintaining the REIT's financial capability for strategic opportunities. The Manager will consider factors such as the working capital requirements, availability of financial resources, the investment and growth strategies of the REIT and the prevailing market conditions before repurchasing Units under the Unit buy-back mandate. While remaining committed to the Unit buy-back programme, the Manager will also be prudent on usage of funds in the current environment. At this juncture, ensuring sufficient cash for distributions and operations is a higher priority than Unit buy-backs.
12	**Could you please share what are your main challenges and how are you addressing these challenges?**	As we look towards growing KORE, the impact of the pandemic, the rising inflation rate, and the limited supply of assets are challenges that we will have to navigate. With the opening of the US economy and markets, we remain hopeful of the opportunities that will arise. It is evident that people are heading back into the office. This has been backed up by the strong leasing figures and developments, demonstrated by major tech firms.

		The number of workers working exclusively from home is trending downwards, to just about 11% of the total employment at around 17.4 million workers compared to 50 million workers working from home in April 2020[4]. As at end-December 2021, only 10.3% of KORE's portfolio by CRI is up for renewal. Built-in average annual rent escalations of 2.4% will continue to provide income resilience. In addition, with in-place rents at approximately 4.9% below asking rents, KORE's portfolio is cushioned against potential downside risks. With over 45.2% of KORE's tenants coming from the growing and defensive sectors of TAMI, medical and healthcare sectors, we believe this unique value proposition will provide further income stability. We have also been actively engaging with tenants to work out their long-term space requirements, and adopting a flexible approach as they evaluate their office space needs. With KORE's high-quality tenancy that we expect will be significantly driven by strong growth in the technology and healthcare industries, KORE is well-placed to leverage the long-term, sustainable growth of these sectors.
13	**What are the implications for KORE on implementing the global minimum tax rate of 15%?**	KORE will currently not be affected as it does not affect our current tax structure. We will only be affected if Singapore or US changes their tax rules in relation to our current tax structure. We will continue to monitor the situation and update Unitholders if and when we are affected.

- END -

[4] "Commercial Weekly: Office Market Ends on Strong Note in 2021 Q4; Investors Still Likely to Stay on the Sidelines in Primary Markets", National Association of Realtors, Link