

PROPOSED ACQUISITION OF MAITLAND PROMENADE I

1. INTRODUCTION

Keppel-KBS US REIT Management Pte. Ltd., in its capacity as manager of Keppel-KBS US REIT (the “**Manager**”), is pleased to announce that Keppel-KBS US REIT, through its indirect and newly established wholly-owned subsidiary, KORE Maitland Promenade I, LLC (the “**Keppel-KBS Buyer**”), has entered into an agreement to acquire the property located at 485 N. Keller Road, Maitland, Florida 32751 (the “**Property**” or “**Maitland Promenade I**”) for a purchase consideration of US\$48.5 million (the “**Acquisition**”).

The vendor of the Property is The Realty Associates Fund X, L.P. (the “**Vendor**”), which is an unrelated third party.

2. INFORMATION ON THE PROPERTY

Maitland Promenade I has a net lettable area of approximately 230,371 square feet (“**sq ft**”), with access to a three-storey parking deck. The Property has a committed occupancy rate of 98.1% as at 25 October 2018.

The Property is situated on grounds in a park-like setting with easy access to Interstate 4 (“**I-4**”), providing short drive times to Orlando International Airport, the central business district and residential options in nearby Winter Park. It is positioned on easy transit routes and is close to the recently completed I-4 Maitland Boulevard interchange.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Structure of the Acquisition

An affiliate of the US asset manager¹ (the “**US Asset Manager Affiliate**”) had on 12 November 2018 entered into a purchase and sale agreement (the “**Purchase and Sale Agreement**”) to acquire the Property.

¹ The US asset manager is KBS Capital Advisors LLC.

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Keppel-KBS US Real Estate Investment Trust (the “**Offering**”). DBS Bank Ltd., Citigroup Global Markets Singapore Pte. Ltd., Credit Suisse (Singapore) Limited and Merrill Lynch (Singapore) Pte. Ltd. were the joint bookrunners and underwriters for the Offering.

Pursuant to the Purchase and Sale Agreement, the purchaser is allowed to, from the date of entry into the Purchase and Sale Agreement until 26 November 2018, terminate the Purchase and Sale Agreement, without any penalty or compensation (the “**Non-Binding Period**”). The Keppel-KBS Buyer had on 26 November 2018 (which is during the Non-Binding Period) entered into an assignment and assumption of purchase agreement (the “**Assignment Agreement**”) with the US Asset Manager Affiliate to take over the Purchase and Sale Agreement.

For the avoidance of doubt, the Keppel-KBS Buyer would transact and complete the Acquisition with the Vendor and the Purchase Consideration (as defined below) which the Keppel-KBS Buyer would be paying is the same as what is set out in the Purchase and Sale Agreement.

3.2 Purchase Consideration and Valuation

The purchase consideration payable to the Vendor in connection with the acquisition of the Property (the “**Acquisition**”) is US\$48.5 million (the “**Purchase Consideration**”). The Keppel-KBS Buyer will be making payment of the Deposit (as defined below) in the manner set out in paragraph 3.4(i) below, with the balance of the Purchase Consideration to be paid to the Vendor in cash on closing. The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis and is supported by an independent valuation.

Perpetual (Asia) Limited, in its capacity as trustee of Keppel-KBS US REIT (the “**Trustee**”), and the Manager have commissioned an independent property valuer, Cushman & Wakefield Regional, Inc. (the “**Independent Valuer**”), to value the Property. The Independent Valuer in its report dated 25 October 2018, stated that the open market value of the Property is US\$48.9 million (based on a sales comparison approach and an income capitalisation approach).

3.3 Estimated Total Acquisition Cost

The estimated total cost of the Acquisition is US\$49.6 million, comprising:

- (i) the Purchase Consideration of US\$48.5 million;
- (ii) the acquisition fee payable to the Manager of US\$0.5 million; and
- (iii) the estimated professional and other fees and expenses incurred or to be incurred by Keppel-KBS US REIT in connection with the Acquisition (inclusive of debt financing related expenses) of approximately US\$0.6 million².

3.4 Purchase and Sale Agreement

The principal terms of the Purchase and Sale Agreement include, among others, the following:

- (i) the Keppel-KBS Buyer shall deposit:
 - (a) within two (2) business days following the date of the Purchase and Sale Agreement, US\$500,000 (the “**Initial Deposit**”) with First American Title

² Such fees and expenses include debt financing-related costs, due diligence costs and acquisition costs such as legal expenses, expenses relating to the appointment of the Independent Valuer and other professional costs.

Insurance Company as escrow agent (the “**Escrow Agent**”)³;

- (b) within two (2) business days following the expiration of the Non-Binding Period cum inspection period in relation to the Property and prior to which the Keppel-KBS Buyer has elected to proceed with the Acquisition, an additional deposit of US\$1.0 million (the “**Additional Deposit**”) with the Escrow Agent; and
- (c) if the Keppel-KBS Buyer delivers a notice to the Vendor to extend the date of closing of the Purchase and Sale Agreement, an additional deposit of US\$1.0 million (the “**Second Additional Deposit**”, and together with the Initial Deposit and the Additional Deposit, the “**Deposit**”).

If closing of the Purchase and Sale Agreement occurs, the Deposit shall be paid to the Vendor and credited against the Purchase Consideration at closing. If the Purchase and Sale Agreement is terminated in accordance with the terms of the Purchase and Sale Agreement, the Deposit shall be refunded to the Keppel-KBS Buyer, save that:

- (1) if the Keppel-KBS Buyer fails to deposit the Additional Deposit within the time period provided for above, the Vendor may terminate the Purchase and Sale Agreement and retain the Initial Deposit;
 - (2) upon the receipt by the Vendor of the Second Additional Deposit, the entire Deposit shall be non-refundable except as expressly provided in the Purchase and Sale Agreement; and
 - (3) in the event closing does not occur due to any default by the Keppel-KBS Buyer, the Vendor shall have the right to receive the Deposit.
- (ii) the Purchase and Sale Agreement is subject to conditions precedent, including but not limited to:
 - (a) the Vendor’s representations and warranties contained in the Purchase and Sale Agreement being true and correct in all material respects as of the closing date; and
 - (b) the Keppel-KBS Buyer shall have received tenant estoppel certificates, dated not more than thirty (30) days prior to the originally scheduled closing date and not disclosing the existence of any default under the leases referenced therein, from all major tenants and tenants who lease, in the aggregate, at least seventy five percent (75%) of the leased square footage of the Property; and
 - (iii) the Purchase and Sale Agreement conveys the Property on an “AS IS, WHERE IS” condition and basis “WITH ALL FAULTS”. The Keppel-KBS Buyer’s right to make a claim as a result of a breach of a representation, warranty, covenant and/or indemnity by the Vendor will be subject to certain limitations, including a maximum aggregate cap on damages of up to three percent (3%) of the Purchase

³ The Initial Deposit shall be reimbursed by the Keppel-KBS Buyer to the US Asset Manager Affiliate which entered into the Purchase and Sale Agreement and had paid the Initial Deposit.

Consideration, and any such action, suit or proceeding shall be commenced on or before the date which is 12 months after the closing date.

4. RATIONALE FOR AND BENEFITS OF THE ACQUISITION

The Manager believes that the Acquisition will benefit the unitholders of Keppel-KBS US REIT (“Unitholders”) as follows:

4.1 Strengthen foothold in an established office submarket

The Property and Maitland Promenade II are two of the few limited class A assets in the Maitland submarket. The Maitland submarket is the choice office market for technology firms, as well as finance and insurance companies, unlike the majority of the Orlando metro which is largely driven by the leisure and hospitality sectors. The Acquisition presents a unique opportunity for Keppel-KBS US REIT to gain a stronger foothold in this fast-growing submarket, while providing flexibility to move tenants within the Property and Maitland Promenade II, depending on their space requirements.

4.2 Improve Keppel-KBS US REIT’s overall portfolio

The Acquisition is aligned with the Manager’s strategy to acquire quality income-producing properties in first choice submarkets with positive macroeconomic and office fundamentals. When completed, Keppel-KBS US REIT’s committed portfolio occupancy⁴ will improve from 90.1% to 91.9%⁵. Keppel-KBS US REIT’s assets under management will also increase from US\$826.1 million⁴ to US\$1,044.0 million⁵.

5. METHOD OF FINANCING

The Manager intends to finance the Acquisition with the proceeds from debt financing.

6. FINANCIAL INFORMATION OF THE ACQUISITION

6.1 Pro Forma Earnings per Unit (“EPU”) and Distributions per Unit (“DPU”)

FOR ILLUSTRATIVE PURPOSE ONLY:

The pro forma financial effects of the Acquisition on Keppel-KBS US REIT’s EPU and DPU for the financial period from 9 November 2017 to 30 September 2018, as if Keppel-KBS US REIT had purchased the Property on 9 November 2017 (being the listing date of Keppel-KBS US REIT), and held and operated the Property through to 30 September 2018 are as follows:

⁴ As at 30 September 2018.

⁵ Includes the acquisition of the Westpark Portfolio (as defined herein) which is expected to be completed by the end of November 2018.

	Based on the unaudited financial statements for the financial period from 9 November 2017 to 30 September 2018 (excluding the effects of the acquisition of the Westpark Portfolio and the Rights Issue)		Based on the unaudited financial statements for the financial period from 9 November 2017 to 30 September 2018 (adjusted for the effects of the acquisition of the Westpark Portfolio and the Rights Issue)	
	Before the Acquisition ⁽¹⁾	After the Acquisition ⁽¹⁾	Before the Acquisition ⁽²⁾	After the Acquisition ⁽²⁾
EPU (US cents) ⁽³⁾	6.16	6.30	5.50	5.60
DPU (US cents) ⁽⁴⁾	5.32	5.49	4.96	5.08

Notes:

- (1) The pro forma EPU and DPU presented does not take into account the financial effects of the acquisition of the Westpark Portfolio or the Rights Issue (each as defined in the Circular to Unitholders in relation to The Proposed Acquisition of the Westpark Portfolio dated 28 September 2018 (“Circular”) and the Offer Information Statement dated 30 October 2018 (“OIS”) respectively). Please refer to the Circular and the OIS for further details.
- (2) The pro forma EPU and DPU presented takes into account the financial effects of the acquisition of the Westpark Portfolio and the Rights Issue. Please refer to the Circular and the OIS for further details.
- (3) EPU is calculated based on the weighted average number of Units in issue during the financial period under review.
- (4) DPU is calculated based on the average number of Units in issue during the financial period under review.

6.2 Pro Forma Net Asset Value (“NAV”)

FOR ILLUSTRATIVE PURPOSE ONLY:

The pro forma financial effects of the Acquisition on the NAV per Unit as at 30 September 2018 as if the Acquisition was completed on 30 September 2018, are as follows:

	Based on the unaudited financial statements for the financial period from 9 November 2017 to 30 September 2018 (excluding the effects of the acquisition of the Westpark Portfolio and the Rights Issue)		Based on the unaudited financial statements for the financial period from 9 November 2017 to 30 September 2018 (adjusted for the effects of the acquisition of the Westpark Portfolio and the Rights Issue)	
	Before the Acquisition ⁽¹⁾	After the Acquisition ⁽¹⁾	Before the Acquisition ⁽²⁾	After the Acquisition ⁽²⁾
NAV represented by Unitholders’ funds per unit (US\$)	0.87	0.87	0.79	0.79

Notes:

- (1) The pro forma NAV presented does not take into account the financial effects of the acquisition of the Westpark Portfolio or the Rights Issue. Please refer to the Circular and the OIS for further details.
- (2) The pro forma NAV presented takes into account the financial effects of the acquisition of the Westpark Portfolio and the Rights Issue. Please refer to the Circular and the OIS for further details.

7. OTHER INFORMATION

7.1 Disclosure under Rule 1010(13) of the Listing Manual

A proposed acquisition by Keppel-KBS US REIT may fall into any of the categories set out in Rule 1004 of the Listing Manual depending on the size of the relative figures computed on the following applicable bases of comparison:

- (i) the net profits attributable to the assets acquired, compared with Keppel-KBS US REIT's net profits;
- (ii) the aggregate value of the consideration given, compared with Keppel-KBS US REIT's market capitalisation; and
- (iii) the number of units issued by Keppel-KBS US REIT ("**Units**") as consideration for the Acquisition, compared with the number of Units previously in issue.

The relative figure of the number of Units issued by Keppel-KBS US REIT as consideration for an acquisition compared with the number of Units previously in issue does not apply in relation to the Acquisition as no Units will be issued as consideration for the Acquisition. The relative figures for the Acquisition using the applicable bases of comparison are set out in the table below:

Comparison of:	The Acquisition (US\$'000)	Keppel-KBS US REIT (US\$'000)	Relative figure (%)
Net profits before tax	1,031 ⁽¹⁾	42,038 ⁽²⁾	2.5%
Consideration against market capitalisation	48,500	350,377 ⁽³⁾	13.8%

Notes:

- (1) Relates to an estimated net profit before tax of the Property for the period from 9 November 2017 to 30 September 2018 assuming the Property has an occupancy of 98.1% for the period between 9 November 2017 and 30 September 2018 and all leases were in place since 9 November 2017.
- (2) Based on Keppel-KBS US REIT's unaudited financial statements for the period from 9 November 2017 to 30 September 2018.
- (3) Based on the last traded price of US\$0.555 per Unit on SGX-ST on 26 November 2018, the market day prior to the date of the Assignment Agreement.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Acquisition is regarded as being a disclosable transaction.

7.2 Interests of Directors and Controlling Unitholders

None of the directors of the Manager or controlling Unitholders has any interest, direct or indirect, in the Acquisition.

7.3 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

8. DOCUMENTS FOR INSPECTION

Copies of the Purchase and Sale Agreement and the market valuation report on the Property issued by the Independent Valuer are available for inspection during normal business hours at the registered office of the Manager⁶ located at 1 Harbourfront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 for a period of three months commencing from the date of this announcement.

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

Kelvin Chua
Company Secretary
27 November 2018

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any securities of Keppel-KBS US REIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

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

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

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

⁶ Prior appointment would be appreciated.