Keppel KBS US REIT

(a real estate investment trust constituted 22 September 2017 under the laws of the Republic of Singapore)

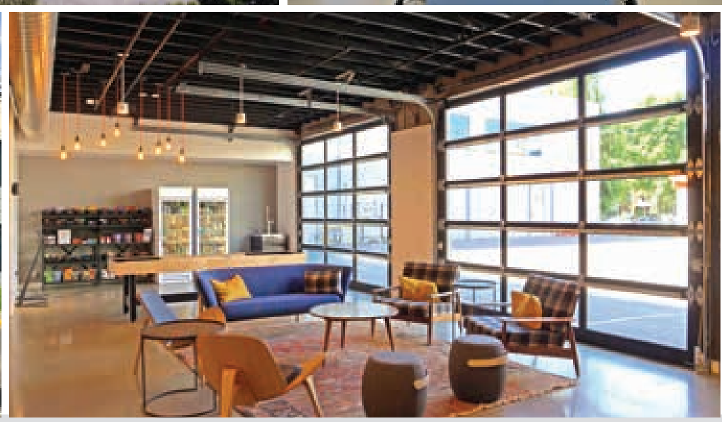
Managed by Keppel-KBS US REIT Management Pte. Ltd.

CIRCULAR DATED 28 SEPTEMBER 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Circular to Unitholders in Relation to The Proposed Acquisition of the Westpark Portfolio in Redmond, Washington



Singapore Exchange Securities Trading Limited (the "**SGX-ST**") takes no responsibility for the accuracy of any statements or opinions made, or reports contained, in this Circular. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred your units in Keppel-KBS US REIT (the "**Units**"), you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form in this Circular, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular does not constitute an offer of securities in the United States or any other jurisdiction. Any proposed issue of new Units described in this Circular will not be registered under the U.S. Securities Act of 1933, as amended (the "**Security Act**") or under the securities laws of any state or other jurisdiction of the Units States, and any such new Units may not be offered or sold within the United States except pursuant to an exemption from, or transactions not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Manager does not intend to conduct a public offering of any securities of Keppel-KBS US REIT in the United States.

IMPORTANT DATES AND TIMES FOR UNITHOLDERS

Last date and time for lodgement of Proxy Forms	Saturday, 13 October 2018 at 9.30 a.m.
Date and time of Extraordinary General Meeting	Tuesday, 16 October 2018 at 9.30 a.m.
Place of Extraordinary General Meeting	Level 3, Jasmine Main Ballroom, Sands Expo and Convention Centre, 10 Bayfront Ave, S018956

Independent Financial Adviser to the Independent Directors and the Audit and Risk Committee of Keppel-KBS US REIT Management Pte. Ltd. and to Perpetual (Asia) Limited (as trustee of Keppel-KBS US REIT)

Deloitte.

Managed by
Keppel-KBS US REIT Management Pte. Ltd.

Deepening Seattle Footprint with Maiden Acquisition

Land Tenure	Freehold
Net Lettable Area	781,966 sq ft
Occupancy	97.7%[(1)]
Portfolio WALE	4.3 years[(2)]
Top 10 Tenants WALE	5.3 years[(3)]

The Westpark Portfolio

- Business campus comprising 21 buildings in Redmond, Seattle, Washington
- Located in the supply-constrained Eastside suburban office market of Seattle
- Good connectivity to key commercial areas in Redmond and the Seattle-Bellevue area
- Surrounded and supported by excellent amenities and infrastructure
- More than 30% of tenants[(3)] are from the high growth technology sector

Notes:

(1) The committed occupancy rate is computed based on the assumption that the leases with Oculus VR, Inc ("**Oculus**") was in place as at 30 June 2018.

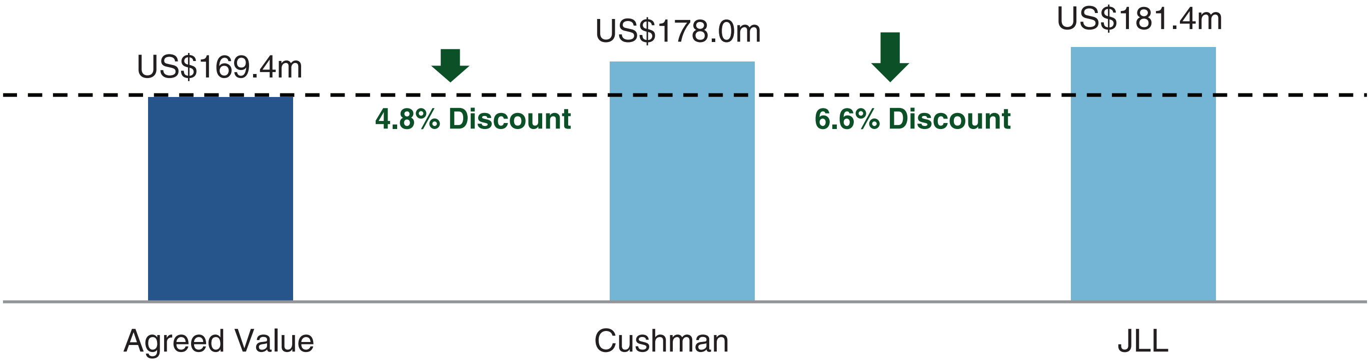
(2) Weighted average leases expiry ("**WALE**") as at 30 June 2018 and based on Cash Rental Income. Includes the leases with Oculus.

(3) WALE as at 30 June 2018 and based on Net Lettable Area ("**NLA**"). Includes the leases with Oculus.

Transaction Summary

Agreed value of US$169.4m is lower than independent appraisals

Attractive Discount to Independent Valuations[(1)]



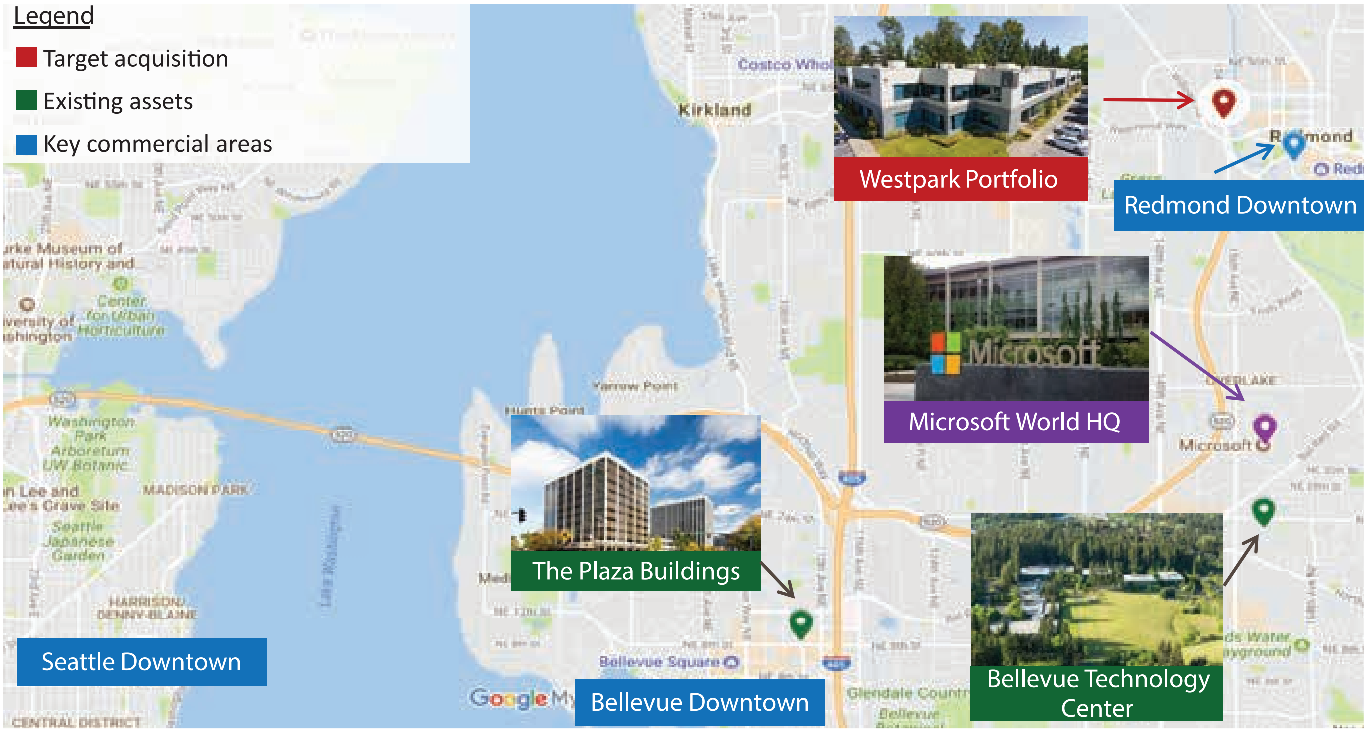
Note:

(1) The Manager has commissioned an independent property valuer, Cushman & Wakefield of Washington, Inc. ("**Cushman**"), and the Trustee has commissioned an independent property valuer, JLL Valuation & Advisory Services, LLC ("**JLL**", together with Cushman, the "**Independent Valuers**"), to value the Westpark Portfolio. Cushman in its report dated 22 August 2018, stated that the open market value of the Westpark Portfolio is US$178.0 million and JLL in its report dated 20 August 2018, stated that the open market value of the Westpark Portfolio is US$181.4 million.

1 Deepen Presence in High Growth Seattle Market

Strategic Location with Good Connectivity

- Strong appeal to technology and professional services tenants due to close proximity to Microsoft World Headquarters and key commercial hubs in Bellevue and Seattle



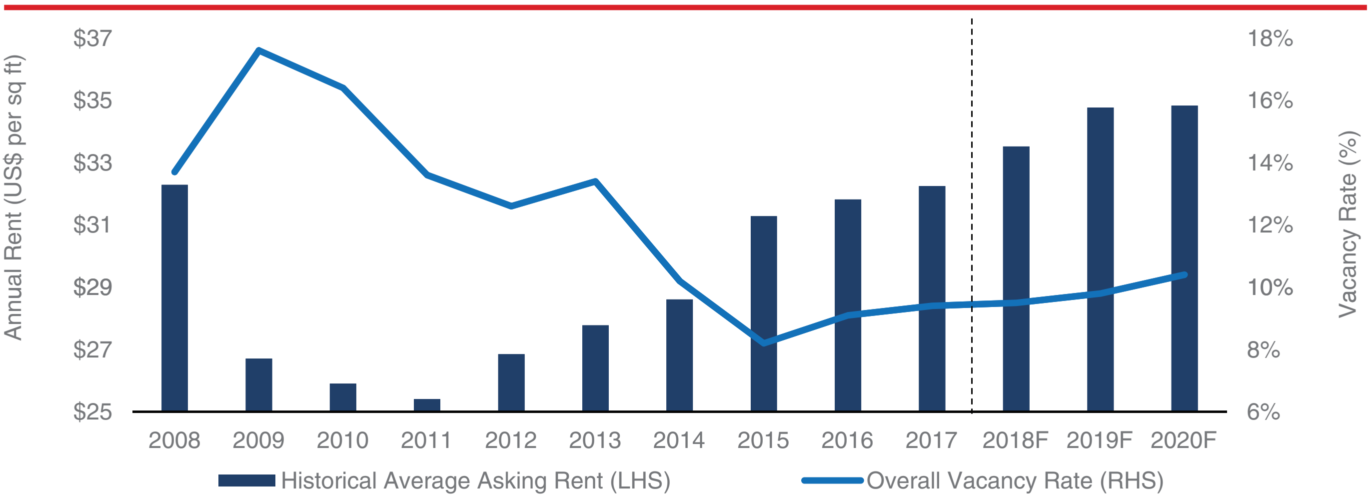
Source: Google Maps.

Positive Growth Momentum Sustained by Strong Office Fundamentals

- Strong rental growth in the past 5 years accompanied by improvement in vacancy rate
- Positive leasing activity backed by strong interest from technology corporations
- Projected rent growth of circa 4% by 2020
- Opportunity for positive rental reversion as 100% of leases have built-in rental escalation of between 2 – 3% p.a.

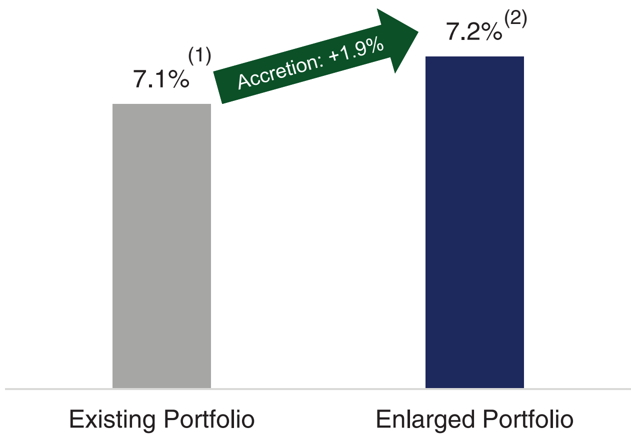
Overall Vacancy Rate and Average Asking Rent by Year

Eastside Suburban Office Market, 2008 – 2020F



2 Accretive Acquisition Positioned for Long Term Growth

Pro Forma DPU Yield



Notes:

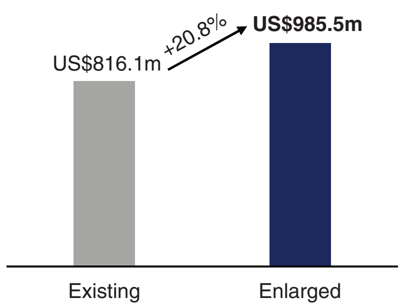
(1) DPU yield is computed based on the illustrative unit price of US$0.84.

(2) The calculation of DPU yield assumes that (a) the Westpark Portfolio has a portfolio occupancy of 97.7% for the period between 9 November 2017 and 30 June 2018 and all leases, whether existing or committed as at the Latest Practicable Date, were in place since 9 November 2017, and (b) the Equity Fund Raising comprises only the Rights Issue, with an illustrative issue price of US$0.59 to raise gross proceeds of approximately US$102.3 million. DPU yield is estimated to be approximately 7.2% based on the illustrative theoretical ex-rights price of US$0.7854. For illustrative purposes only, if the Equity Fund Raising comprises only the Preferential Offering, with an illustrative issue price of US$0.78 to raise gross proceeds of approximately US$101.3 million, DPU yield is estimated to be approximately 7.2% based on the illustrative unit price of US$0.84. Please refer to Circular Section 5.1 Pro Forma Financial Effects of the Acquisition for more details.

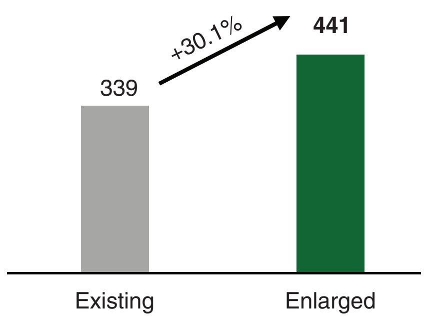
3 Diversification of Portfolio

Improves Income Resilience of Portfolio

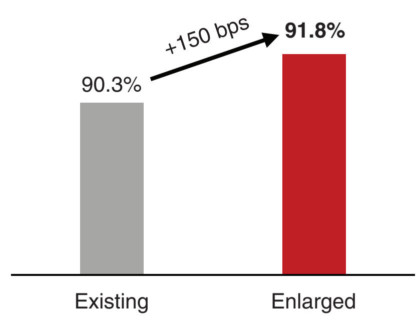
Enlarges AUM



Expands tenant base



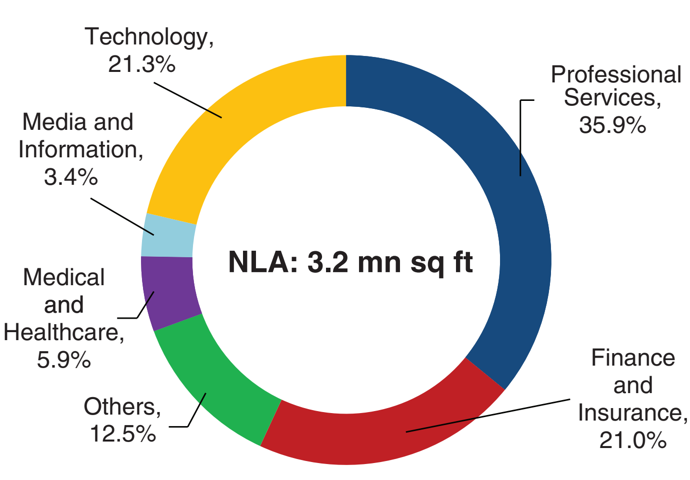
Boosts portfolio occupancy



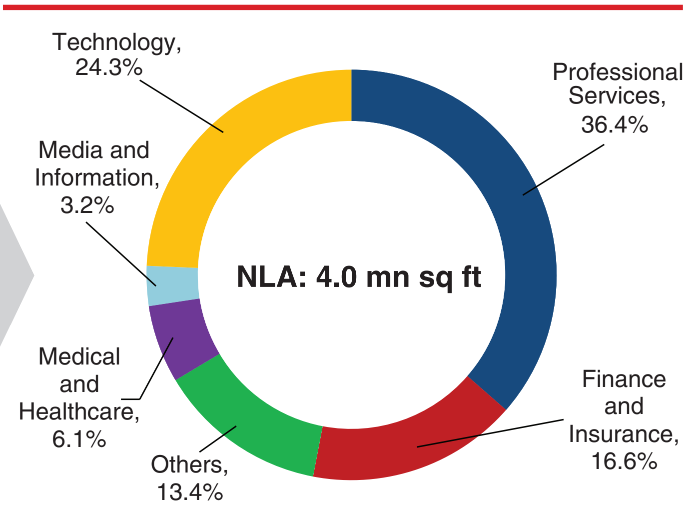
Improves Tenant Diversification and Exposure to Tech Sector

- Increases portfolio exposure to high growth technology sector by 3 percentage points[1]
- Top 10 tenants will now account for 20.5% of CRI[2] instead of 22.8%

Existing Portfolio by NLA



Enlarged Portfolio By NLA



Notes:

(1) As at 30 June 2018. Includes the leases with Oculus.

(2) As at 30 June 2018. Includes the leases with Oculus.

TABLE OF CONTENTS

CORPORATE INFORMATION

Directors of Keppel-KBS US REIT Management Pte. Ltd. (the manager of Keppel-KBS US REIT) (the "Manager")	:	Peter McMillan III (Non-Independent Non-Executive Chairman) Soong Hee Sang (Independent Non-Executive Director and Chairman of the Audit and Risk Committee) John J. Ahn (Independent Non-Executive Director) Kenneth Tan Jhu Hwa (Independent Non-Executive Director) Paul Tham (Non-Independent Non-Executive Director)
Registered Office of the Manager	:	1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
Trustee of Keppel-KBS US REIT (the "Trustee")	:	**Perpetual (Asia) Limited** 8 Marina Boulevard #05-02 Marina Bay Financial Centre Singapore 018981
Legal Adviser to the Manager for the Acquisition (as defined herein) and as to Singapore Law	:	**Allen & Gledhill LLP** One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Trustee	:	**Dentons Rodyk & Davidson LLP** 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
Unit Registrar	:	**Boardroom Corporate & Advisory Services Pte. Ltd.** 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Independent Financial Adviser to the Trustee and the Independent Directors of the Manager (the "Independent Directors", and the independent financial adviser to the Trustee and the Independent Directors, the "IFA")	:	**Deloitte & Touche Corporate Finance Pte. Ltd.** 6 Shenton Way #33-00 Singapore 068809

Independent Valuers	:	**Cushman & Wakefield of Washington, Inc.** (appointed by the Manager) 1420 Fifth Avenue, Suite 2600 Seattle, WA 98101 United States **JLL Valuation & Advisory Services, LLC** (appointed by the Trustee) 5 Riverway #200, Houston, TX 77056 United States
Independent Market Research Consultant	:	**Cushman & Wakefield Western, Inc.** 400 Capitol Mall, Suite 1800 Sacramento, CA 95814 United States

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OVERVIEW

The following overview is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 33 to 37 of this Circular.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

OVERVIEW OF KEPPEL-KBS US REIT

Keppel-KBS US REIT is a Singapore REIT established with the investment strategy of principally investing, directly or indirectly, in a diversified portfolio of income-producing commercial assets and real estate-related assets in the key growth markets of the United States.

As at 18 September 2018, being the latest practicable date prior to the printing of this Circular (the "**Latest Practicable Date**"), Keppel-KBS US REIT has a market capitalisation of approximately US$505.0 million. Keppel-KBS US REIT's existing portfolio (the "**Existing Portfolio**") comprises 11 office properties located in the United States with an aggregate net lettable area ("**NLA**") of approximately 3.2 million square feet ("**sq ft**") and valuation of approximately US$816.1 million as at 30 June 2018[1].

SUMMARY OF APPROVAL SOUGHT

The Manager seeks approval from unitholders of Keppel-KBS US REIT ("**Unitholders**") for the proposed acquisition of 21 buildings located in Redmond, Washington (the "**Westpark Portfolio**") for an estimated aggregated purchase consideration of US$169.4 million.

Keppel-KBS US REIT has through its wholly-owned indirect subsidiary, Keppel-KBS Westpark, LLC (the "**KORE Buyer LLC**"), entered into a purchase and sale agreement (the "**Purchase and Sale Agreement**") with KBS SOR Westpark Portfolio, LLC (the "**Vendor**") on 24 September 2018 to acquire the Westpark Portfolio (the "**Acquisition**").

DESCRIPTION OF THE WESTPARK PORTFOLIO

The Westpark Portfolio consists of 21 buildings, totalling 781,966 sq ft of NLA over 41.3 acres. Located adjacent to downtown Redmond, Washington, the Westpark Portfolio is well situated for tenants' needs and provides access to the area's numerous amenities. The Westpark Portfolio includes three clusters of buildings:

- Westpark Business Park, which encompasses 14 two-story office buildings totalling 583,524 sq ft;
- Redmond Center Court, which encompasses two industrial buildings totalling 77,510 sq ft; and
- Pacific Business and Technology Center, which encompasses five office buildings totalling 120,932 sq ft.

1 Based on the unaudited financial statements of Keppel-KBS US REIT for the financial period from 9 November 2017 to 30 June 2018 (the "**Unaudited Financial Statements**").

The Westpark Portfolio is situated on grounds in a park-like setting with easy access to State Route 520/Interstate 405 and in close proximity to Redmond Town Center and Microsoft World Headquarters. The portfolio is located close to downtown Redmond, Marymoor Park, and Redmond Town Center. It is positioned on easy transit routes and at close proximity to the Redmond Transit Center.

(See **Appendix A** of this Circular for further details about the Westpark Portfolio.)

ESTIMATED TOTAL ACQUISITION COST

The estimated total cost of the Acquisition (the "**Total Acquisition Cost**") is US$175.7 million, comprising:

(i) the purchase consideration of US$169.4 million;

(ii) the acquisition fee of US$1.7 million payable in units of Keppel-KBS US REIT ("**Units**") to the Manager (the "**Acquisition Fee Units**"); 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$4.6 million[1].

PURCHASE CONSIDERATION AND VALUATION

The purchase consideration payable to the Vendor in connection with the Acquisition is US$169.4 million (the "**Purchase Consideration**"). The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis and is supported by independent valuations.

The Manager has commissioned an independent property valuer, Cushman & Wakefield of Washington, Inc. ("**Cushman**"), and the Trustee has commissioned an independent property valuer, JLL Valuation & Advisory Services, LLC ("**JLL**", together with Cushman, the "**Independent Valuers**"), to value the Westpark Portfolio. Cushman in its report dated 22 August 2018, stated that the open market value of the Westpark Portfolio is US$178.0 million (based on a sale comparison approach and income capitalisation approach) and JLL in its report dated 20 August 2018, stated that the open market value of the Westpark Portfolio is US$181.4 million (based on a sale comparison approach, income capitalisation approach and a discounted cash flow method).

METHOD OF FINANCING

The Manager intends to finance the Acquisition with the proceeds from an equity fund raising (the "**Equity Fund Raising**"), debt financing and internal cash resources.

The final decision regarding the proportion of the debt and equity to be employed to fund the Acquisition will be made by the Manager at the appropriate time, taking into account the then prevailing market conditions to provide overall distribution per Unit ("**DPU**") yield accretion to Unitholders while maintaining an optimum level of aggregate leverage.

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1 Such fees and expenses include debt issuance-related costs, due diligence costs, equity fund raising costs and acquisition costs such as legal expenses, expenses relating to the appointment of the IFA and other professional costs. The estimate of US$4.6 million is based on the assumption that the Equity Fund Raising (as defined herein) comprises only a preferential offering of new units. If the Equity Fund Raising comprises a rights issue, the estimated expenses will be approximately US$5.6 million, increasing Total Acquisition Cost to US$176.7 million.

Equity Fund Raising

The structure and timing of the Equity Fund Raising have not been determined by the Manager.

If and when the Manager decides to undertake the Equity Fund Raising, the Equity Fund Raising may, at the Manager's absolute discretion and subject to the then prevailing market conditions, comprise:

(i) a renounceable rights issue of new units of Keppel-KBS US REIT ("**New Units**") to the existing Unitholders on a pro rata basis (the "**Rights Issue**", and the New Units to be issued pursuant to the Rights Issue, the "**Rights Issue Units**");

(ii) a non-renounceable preferential offering of New Units to the existing Unitholders on a pro rata basis (the "**Preferential Offering**", and the New Units to be issued pursuant to the Preferential Offering, the "**Preferential Offering Units**"); or

(iii) both the Preferential Offering and a private placement of New Units to institutional and other investors (the "**Private Placement**", and the New Units to be issued pursuant to the Private Placement, the "**Private Placement Units**"), in which event the Preferential Offering will raise a portion of the proceeds, with the Private Placement raising the remaining amount.

It is anticipated that the New Units to be issued pursuant to any Equity Fund Raising that may be undertaken by the Manager (less the Preferential Offering Units or as the case may be the Rights Issue Units to be subscribed under the Undertakings (as defined herein)) will be underwritten by underwriter(s) subject to, among others, then prevailing market conditions.

The Manager will announce the details of the Equity Fund Raising (including details pertaining to the use of proceeds and percentage allocation for each use) on the SGXNET at the appropriate time when it launches the Equity Fund Raising in such structure and at such time as may be agreed with the underwriter(s). (See paragraph 4 of the Letter to Unitholders for further details.)

Use of Proceeds

For illustrative purposes in this Circular, the Equity Fund Raising is assumed to raise gross proceeds of approximately US$100 million. The Manager intends to utilise all of the net proceeds of the Equity Fund Raising to finance part of the Total Acquisition Cost.

Notwithstanding its current intention, in the event that the Equity Fund Raising is completed but the Acquisition does not proceed for whatever reason, the Manager may, subject to relevant laws and regulations, utilise the net proceeds of the Equity Fund Raising at its absolute discretion for other purposes, including without limitation, the repayment of existing indebtedness and for funding capital expenditures.

Undertakings by Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC

To demonstrate its support for Keppel-KBS US REIT and the Equity Fund Raising, each of Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC, which each owns an aggregate interest of approximately 6.97% of the total number of Units in issue as at the Latest Practicable Date, has irrevocably undertaken to the Manager on 23 September 2018 (the "**Undertakings**") that, among other things, in the event that the Equity Fund Raising comprises the Preferential Offering or as the case may be the Rights Issue:

(i) subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will accept, subscribe and pay in full for, its total provisional allotment of the Preferential Offering Units or the Rights Issue Units; and

(ii) it will, in addition to paragraph (i) above, apply for, or procure the application of, such number of excess Preferential Offering Units or Rights Issue Units (the "**Excess Units**"), so that if each of Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC are fully allotted the Excess Units, each of Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC would maintain their percentage unitholding in Keppel-KBS US REIT at the level immediately prior to the Equity Fund Raising (the "**Pre-Equity Fund Raising Percentage**"). For the avoidance of doubt, Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC, among others, will rank last in the allocation of excess Preferential Offering Units or Rights Issue Units applications.

The Manager will, however, not be subscribing for its pro-rated share of the Preferential Offering Units or the Rights Issue Units in the event that the Equity Fund Raising comprises the Preferential Offering or as the case may be the Rights Issue.

Consequential Adjustment to Distribution Period and Status of New Units

Keppel-KBS US REIT's policy is to distribute its distributable income on a semi-annual basis to Unitholders.

However, pursuant to the Equity Fund Raising, the Manager may decide to make adjustments to the distribution period which may include, among others, a cumulative distribution, an advanced distribution or such other plans to ensure fairness to existing Unitholders holding Units on the day immediately prior to the date on which the New Units are issued under the Private Placement.

In the event that the Equity Fund Raising comprises the Private Placement, the Private Placement Units will, upon issue and allotment, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the Private Placement Units are issued, other than in respect of the advanced distribution and the eligibility to participate in the Preferential Offering (if any).

In the event that the Equity Fund Raising comprises the Preferential Offering or the Rights Issue, the Preferential Offering Units or the Rights Issue Units will, upon issue and allotment, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the Preferential Offering Units or the Rights Issue Units are issued, including the right to any distributions which may accrue prior to the issuance of such Units.

Further details pertaining to any adjustments to the distribution period, if any, and the status of the New Units issued pursuant to the Equity Fund Raising will be announced at the appropriate time.

Rationale for the Acquisition

The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

- **Unique opportunity to acquire a distinctive freehold portfolio**
  - Attractive suburban business campus
  - Strategic location with good accessibility
- **Strengthen presence in one of the strongest office markets and technology hubs in the U.S.**
  - Deepen Keppel-KBS US REIT's exposure to the high growth Seattle-Bellevue market
  - Benefit from the strong demand drivers of the Redmond submarket
  - Positive fundamentals for continued rental growth
- **Diversification of portfolio tenant base with increased exposure to the technology sector**
- **Enlarged and diversified portfolio positioned for long term growth**
  - Strengthen portfolio diversification
  - Reduce concentration risk in the top ten tenants
- **Accretive acquisition at discount to independent valuations**
  - Purchase price represents an attractive discount from appraised values
  - Accretive acquisition creating value for unitholders

Interested Person Transaction and Interested Party Transaction

The Manager is a joint venture held between the Sponsors, being Keppel Capital Holdings Pte. Ltd. ("**KC**") and KBS Pacific Advisors Pte. Ltd. ("**KPA**"), in equal share. The Vendor is a fund managed by KBS Capital Advisors LLC ("**KBS**"). As disclosed in the Keppel-KBS US REIT prospectus dated 2 November 2017, the co-founding partners of KBS include Peter McMillan III and Keith D. Hall, who are partners of KPA and, together, indirectly hold a one-third stake of KBS. As KPA is a co-sponsor of Keppel-KBS US REIT, transactions between Keppel-KBS US REIT and any funds managed by KBS in the future will constitute interested person transactions under Chapter 9 of the Listing Manual. Therefore, the Acquisition will constitute an "Interested Person Transaction" under Chapter 9 of the Listing Manual of the SGX-ST (the "**Listing Manual**") as well as an "Interested Party Transaction" under Appendix 6 of the Code of Collective Investment Schemes ("**CIS Code**" and Appendix 6 of the CIS Code, the "**Property Funds Appendix**"), in respect of which the approval of Unitholders is required.

The total Purchase Consideration of US$169.4 million equates to approximately 30.0% of the latest unaudited net tangible assets ("**NTA**") and the net asset value ("**NAV**") of Keppel-KBS US REIT as at 30 June 2018. As this value exceeds 5.0% of the NTA and the NAV of Keppel-KBS US REIT, the Manager will be seeking the approval of Unitholders by way of an Ordinary Resolution for the Acquisition.

(See paragraph 5.2 of the Letter to Unitholders for further details.)

INDICATIVE TIMETABLE

The timetable for the events which are scheduled to take place after the extraordinary general meeting (the "**EGM**") is indicative only and is subject to change at the Manager's absolute discretion. Any changes (including any determination of the relevant dates) to the timetable below will be announced.

Event		Date and Time
Last date and time for lodgement of Proxy Forms	:	Saturday, 13 October 2018 at 9.30 a.m.
Date and time of the EGM	:	Tuesday, 16 October 2018 at 9.30 a.m.
If approval for the Acquisition is obtained at the EGM:		
Target date for completion of the Acquisition	:	23 November 2018 (or such other date as may be agreed between the parties)

LETTER TO UNITHOLDERS

Keppel KBS US REIT

(a real estate investment trust constituted on 22 September 2017
under the laws of the Republic of Singapore)

Directors of the Manager ("Directors")
Peter McMillan III (Non-Independent Non-Executive Chairman)
Soong Hee Sang (Independent Non-Executive Director and Chairman of the Audit and Risk Committee)
John J. Ahn (Independent Non-Executive Director)
Kenneth Tan Jhu Hwa (Independent Non-Executive Director)
Paul Tham (Non-Independent Non-Executive Director)

Registered Office
1 HarbourFront Avenue #18-01
Keppel Bay Tower
Singapore 098632

28 September 2018

To: Unitholders of Keppel-KBS US REIT

Dear Sir/Madam

1. SUMMARY OF APPROVAL SOUGHT

The Manager is convening the EGM to seek the approval of Unitholders by way of an Ordinary Resolution for the acquisition of the Westpark Portfolio.

2. THE PROPOSED ACQUISITION OF THE WESTPARK PORTFOLIO

2.1 Description of the Westpark Portfolio

The Manager proposes to acquire the Westpark Portfolio.

The Westpark Portfolio consists of 21 buildings, totalling 781,966 sq ft of NLA over 41.3 acres. Located adjacent to downtown Redmond, Washington, the Westpark Portfolio is well situated for tenants' needs and provides access to the area's numerous amenities. The Westpark Portfolio includes three clusters of buildings:

- Westpark Business Park, which encompasses 14 two-story office buildings totalling 583,524 sq ft;
- Redmond Center Court, which encompasses two industrial buildings totalling 77,510 sq ft; and
- Pacific Business and Technology Center, which encompasses five office buildings totalling 120,932 sq ft.

The Westpark Portfolio is situated on grounds in a park-like setting with easy access to State Route 520/Interstate 405 and in close proximity to Redmond Town Center and Microsoft World Headquarters. The portfolio is located close to downtown Redmond, Marymoor Park, and Redmond Town Center. It is positioned on easy transit routes and at close proximity to the Redmond Transit Center.

(See **Appendix A** of this Circular for further details about the Westpark Portfolio.)

2.2 Estimated Total Acquisition Cost

The Purchase Consideration payable is US$169.4 million. The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis and is supported by independent valuations.

The Manager has commissioned an independent property valuer, Cushman, and the Trustee has commissioned an independent property valuer, JLL, to value the Westpark Portfolio. Cushman in its report dated 22 August 2018, stated that the aggregate open market value of the Westpark Portfolio is US$178.0 million (based on a sale comparison approach and income capitalisation approach) and JLL in its report dated 20 August 2018, stated that the aggregate open market value of the Westpark Portfolio is US$181.4 million (based on a sale comparison approach, income capitalisation approach and a discounted cash flow method).

The estimated Total Acquisition Cost is US$175.7 million, comprising:

(i) the Purchase Consideration of US$169.4 million;

(ii) the acquisition fee of US$1.7 million payable in Units to the Manager; 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$4.6 million[1].

2.3 Method of Financing

The Manager intends to finance the Acquisition with the proceeds from the Equity Fund Raising, debt financing and internal cash resources.

The final decision regarding the proportion of the debt and equity to be employed to fund the Acquisition will be made by the Manager at the appropriate time, taking into account the then prevailing market conditions to provide overall DPU yield accretion to Unitholders while maintaining an optimum level of aggregate leverage.

2.4 Purchase and Sale Agreement

On 24 September 2018, the KORE Buyer LLC entered into the Purchase and Sale Agreement with the Vendor to acquire the Westpark Portfolio.

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

(i) the Purchase and Sale Agreement is subject to conditions precedent, including but not limited to:

(a) Keppel-KBS US REIT obtaining Unitholders' approval for the Acquisition;

1 Such fees and expenses include debt issuance-related costs, due diligence costs, equity fund raising costs and acquisition costs such as legal expenses, expenses relating to the appointment of the IFA and other professional costs. The estimate of US$4.6 million is based on the assumption that the Equity Fund Raising comprises only a preferential offering of new units. If the Equity Fund Raising comprises a rights issue, the estimated expenses will be approximately US$5.6 million, increasing total cost of the Acquisition to US$176.7 million.

(b) the proceeds raised from the Equity Fund Raising, together with funds received by the KORE Buyer LLC in connection with any financing in connection with the acquisition of the Westpark Portfolio, being sufficient to pay the Purchase Consideration (and other closing costs);

(c) the Vendor's representations and warranties contained in the Purchase and Sale Agreement being true and correct in all material respects as of the date of the Purchase and Sale Agreement and as of the closing date; and

(d) the Vendor having performed its obligations under the Purchase and Sale Agreement;

(ii) the Title Company (as defined herein) shall at closing have issued and delivered to the KORE Buyer LLC, or shall have committed to issue and deliver to the KORE Buyer LLC, with respect to the Westpark Portfolio, a title insurance insuring the KORE Buyer LLC as owner of good, marketable and indefeasible fee simple legal title to the Westpark Portfolio;

(iii) the Purchase and Sale Agreement conveys the Westpark Portfolio "AS IS, WHERE IS". The KORE Buyer LLC's right to make a claim as a result of a breach of a representation or covenant by the Vendor will be subject to certain limitations, including a maximum aggregate cap on damages of up to US$2,500,000 and any claims shall be actionable and enforceable only if notice of such claim is given within 12 months after closing; and

(iv) the Vendor shall endeavor to secure and deliver to the KORE Buyer LLC by the closing date estoppel certificates[1] for all Leases (as defined herein), and the KORE Buyer LLC may terminate the Purchase and Sale Agreement if the Vendor fails to deliver to the KORE Buyer LLC estoppel certificates substantially in the form attached to the Purchase and Sale Agreement executed by tenants under Leases covering at least 70% of the leased rental floor area of the Westpark Portfolio.

2.5 Free Rent Arrangement

2.5.1 Terms of the Free Rent Arrangement

On 10 August 2018, Oculus VR, Inc. ("**Oculus**") entered into three leases in relation to the Westpark Portfolio (the "**New Leases with Free Rent**"). Oculus has not yet commenced paying rent per the terms of the New Leases with Free Rent.

The "**Free Rent Arrangement**" comprises two components:

(i) **Period from Completion of Acquisition to Commencement of Lease**: Pursuant to the terms of the Purchase and Sale Agreement, the Vendor shall, from the date of closing of the Acquisition until the lease commencement dates, pay to the KORE Buyer LLC an amount equal to the agreed rental under the New Leases with Free Rent. The total amount of rental payable is US$145,390 (the "**Rent Shortfall Amount**"), with the major lease commencing in December 2018 and by May 2019 all the leases would have commenced. This amount is to compensate the KORE Buyer LLC for the period prior to the commencement of the leases.

1 The tenant estoppel certificates provide the KORE Buyer LLC with certain assurances by having tenants under leases covering at least 70% of the rental floor area of the Westpark Portfolio certify that, among others, the relevant tenant is the lessee under the relevant lease, such lease is in full force and effect, there is no default of the lease by the landlord and the tenant has no claim or demand against the landlord.

(ii) **Period after Commencement of Lease in relation to Rent Free Period**: In addition, these New Leases with Free Rent each contains three months of rent free period, and pursuant to the terms of the Purchase and Sale Agreement, unless the Vendor buys out[1] the free rent from Oculus, the Vendor shall pay to the KORE Buyer LLC an amount equal to the agreed rental under the New Leases with Free Rent. The total amount of free rent is US$463,058 (together with the Rent Shortfall Amount, the "**Relevant Amount**"). This amount is to compensate the KORE Buyer LLC for the period after the commencement of the leases during the rent free period of the leases.

2.5.2 Directors' opinion

The Independent Directors are of the view that the Free Rent Arrangement is on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and its minority Unitholders as (i) the Relevant Amount is determined based on the actual rental to be paid under the New Leases with Free Rent and (ii) the Free Rent Arrangement is to cover the period where payment of the rental has yet to commence notwithstanding the leases have been executed.

2.5.3 Independent valuations

It should be noted that the independent valuations of the Westpark Portfolio do not take into account the Free Rent Arrangement.

2.6 Property Management Agreement and Leasing Services Agreement

Upon completion of the Acquisition, property management services in respect of the Westpark Portfolio will be performed by Transwestern Commercial Services Washington, LLC, which is a third party property manager.

The property manager is entitled to be paid the following fees in relation to the Westpark Portfolio:

- a property management fee of 1.5% of the gross revenue income of the Westpark Portfolio; and

- a construction supervision fees in connection with providing construction management services for certain construction projects with respect to the Westpark Portfolio as follows:

Cost of Improvements	Fee
Up to US$50,000	5% of total construction cost
US$50,001 to US$150,000	4% of total construction cost
US$150,001 to US$500,000	3% of total construction cost
US$500,001 and greater	2% of total construction cost

Upon completion of the Acquisition, leasing services in respect of the Westpark Portfolio will be performed by Jones Lang LaSalle, Inc., which is a third party leasing agent.

1 The term "buy out" refers to the Vendor negotiating with Oculus to vary the terms of the leases such that Oculus would pay rental when the leases commence and that there is no rent free period. For the avoidance of doubt, if the Vendor buys out the free rent, Oculus would start paying rent upon commencement of the leases but if the Vendor is not able to buy out the free rent, it would pay the amount of US$463,058 (representing the total amount of rent payable during the rent free period) to Keppel-KBS US REIT.

The leasing agent is entitled to a leasing service commission for procuring leases with new tenants, which ranges from US$0.50 to US$1.00 per sq ft per year of the lease term for years 1 to 5 of the initial lease term and US$0.25 to US$0.50 per sq ft per year for years 6 to 10 of the lease term for the initial lease term.

2.7 Advice of the Independent Financial Adviser on the Acquisition

The Manager has appointed Deloitte & Touche Corporate Finance Pte. Ltd. ("**Deloitte**") as the IFA pursuant to Rule 921(4)(a) of the Listing Manual as well as to advise the Trustee and the Independent Directors as to whether the Acquisition is based on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and the minority Unitholders. A copy of the letter from the IFA to the Trustee and the Independent Directors (the "**IFA Letter**"), containing its advice in full, is set out in **Appendix C** of this Circular, and Unitholders are advised to read the IFA Letter carefully.

Based on the considerations set out in the IFA Letter in **Appendix C** of this Circular and subject to the qualifications and assumptions therein, the IFA is of the view that the Acquisition is based on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and the minority Unitholders in accordance with Chapter 9 of the Listing Manual.

3. THE RATIONALE FOR THE ACQUISITION

The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

3.1 Unique Opportunity to Acquire a Distinctive Freehold Portfolio

3.1.1 Attractive suburban business campus

The Westpark Portfolio is a unique suburban business campus which consists of 21 low-rise buildings, with 781,966 sq ft of net leasable area, spread over a 41.3 acre freehold campus. The buildings are designed to cater for multiple business uses including office and flex. The campus is in a beautiful park-like setting, surrounded by green space and neighbourhood parks, which provide valuable outdoor amenities for tenants.

The Westpark Portfolio was constructed between 1987 and 1992, and underwent extensive capital improvements following the Vendor's acquisition in February 2016. These projects include the conversion of underutilised space to an amenities centre, new signage and painting through the campus, the addition of a full-service restaurant/ bar, the renovation of the common area landscape and the exterior refurbishment of some of the buildings.

The successful repositioning of the Westpark Portfolio has garnered strong leasing traction amongst technology and professional services companies and attracted higher quality tenants, which includes Oculus, a major technology tenant.

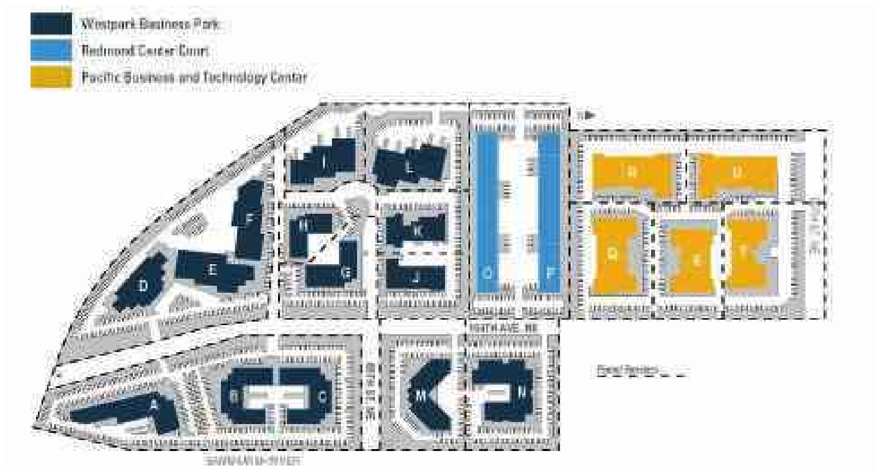
The Westpark Portfolio is divided into three clusters of buildings which cater to multiple business uses.

Building cluster	Number of buildings	Net Leasable Area (sq ft)	Primary Use
Westpark Business Park	14	583,524	Office
Redmond Center Court	2	77,510	Industrial
Pacific Business and Technology Center	5	120,932	Office
Total	**21**	**781,966**	
Total Occupancy(1)	**97.7%**		

Note:

(1) The lease with Oculus was entered into on 10 August 2018. The occupancy rate is computed based on the assumption that the lease with Oculus was in place as at 30 June 2018.

Overall Site Plan of the Westpark Portfolio



The Westpark Portfolio is located in a cluster of suburban business campuses that are characterised by a significant quantity of high-technology and incubator office/warehouse space in addition to traditional office space. The suburban business campus layout provides its typical appeal and amenities which attract a wide variety of tenants involved in trade sectors such as technology, engineering, medical and healthcare, as well as professional services.

The ability to have office and complementary spaces such as technology development and flex spaces within one business campus increases the appeal to tenants looking to enter or expand their presence in the submarket. The warehouse space within the Westpark Portfolio provides technology and professional services tenants who require storage for their equipment or inventory (e.g. technology-based self-training companies, purchasing and distribution businesses) as it provides them the convenience and facilitates distribution.

The acquisition of the Westpark Portfolio is in line with the Manager's strategy to acquire distinctive assets which cater to a diverse tenant profile and add resilience to the portfolio.

3.1.2 Strategic location with good accessibility

The Westpark Portfolio is located in the Redmond submarket in the centre of Seattle's Eastside suburban office market, which is a choice location for internet and technology companies.

The property is located approximately 2.5 miles north of the Microsoft World's headquarters and benefits from this proximity as sub-contractors to Microsoft Corporation, technology companies, and companies supporting Microsoft Corporation's operations prefer to be located near them. The Westpark Portfolio enjoys good accessibility to the key commercial areas in Seattle-Bellevue such as the CBDs in Bellevue and Seattle. The business campus site provides easy access to State Route 520, which is one of the major highways in the Seattle metropolitan area.

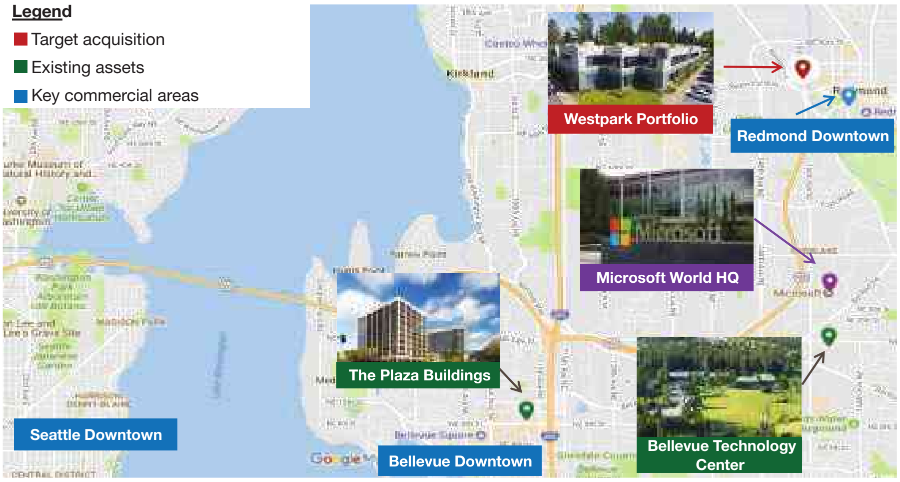
The proximity to Redmond and good access to major transportation corridors explain the diverse makeup of the area, being attractive to residents, employees and businesses.

3.2 Strengthen Presence in one of the Strongest Office Markets and Technology Hubs in the U.S.

3.2.1 Deepen Keppel-KBS US REIT's exposure to the high growth Seattle-Bellevue market

The acquisition of the Westpark Portfolio will mark the third asset in Keppel-KBS US REIT's portfolio in the Seattle-Tacoma-Bellevue Metropolitan Statistical Area ("**Seattle MSA**"), including the Plaza Buildings and Bellevue Technology Center.

Location Map of the Westpark Portfolio with existing portfolio assets



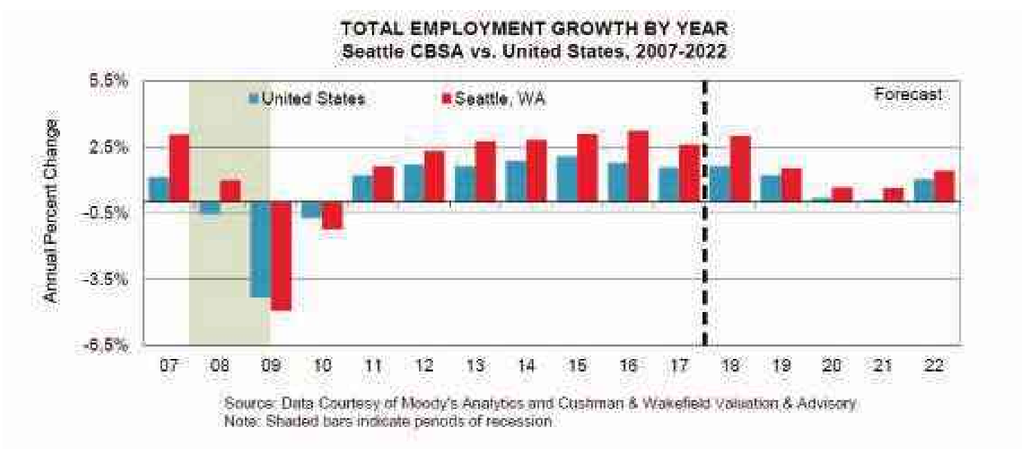
Source: Google Maps

Adding the Westpark Portfolio to Keppel-KBS US REIT's existing portfolio will allow Keppel-KBS US REIT to further capitalise on the positive leasing demand from the technology and professional services sectors, enjoy the continued rent growth in one of the strongest office markets in the U.S., as well as enhance Keppel-KBS US REIT's exposure to the key growth sectors in the U.S.

3.2.2 Benefit from the strong demand drivers of the Redmond submarket

Redmond is a submarket within the Eastside office market in the Seattle MSA, which has benefitted from tremendous leasing demand in recent years due to the fast-growing technology sector, limited new high-quality office inventory, excellent retail and amenity base, and strong employment growth. Redmond's business friendly regime, which includes zero business tax to corporations, helps to attract companies from the high-technology industries into the market. The major presence of Microsoft Corporation and other established technology companies such as Nintendo of America helps to attract technology talents to move to this submarket, ensuring these companies of a strong and sizeable talent pool.

According to Cushman & Wakefield Western, Inc. (the "**Independent Market Research Consultant**"), the employment growth in the Seattle MSA continues to outpace the nation. The area experienced stronger than the average national employment growth rate between 2007 and 2017 and the growth is expected to remain strong going forward.



The Seattle MSA has positioned itself to be the fastest growing technology hub in the U.S. and has seen nearly an 11% increase in its share of tech-job openings in 2017 compared to 2016[1], which far surpassed any other major technology hubs in the U.S.. Seattle MSA houses headquarters of several technology giants including Amazon, Nintendo of America and Microsoft Corporation, which is located just 2.5 miles south of the Westpark Portfolio.

As one of the largest components of the nation's economy, contributing 9.2% of the U.S. GDP in 2017[2], the rapid growth momentum of the technology sector will bode well for technological markets like Seattle MSA, whose office market has registered strong leasing demand due to aggressive growth plans by technology companies such as Amazon, Twitter and Facebook.

3.2.3 Positive fundamentals for continued rental growth

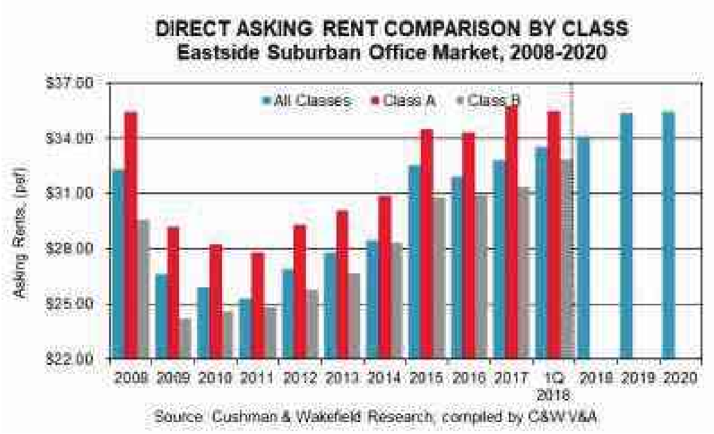
Overall vacancy in the Eastside Suburban office market has seen a downward trend, contributed by improving economic conditions and strong employment growth. As at first quarter 2018, overall vacancy rate was at a low of 9.1%[3], supported by strong leasing activity and a relative lack of speculative construction.

At the same time, asking rents in the Eastside Suburban market have historically exceeded the asking rents of other suburban office markets in the Seattle area. The overall average asking rent for space in the Eastside Suburban office market increased US$0.90 per sq ft year-over-year and US$0.34 per sq ft from the previous quarter to US$32.59 per sq ft in first quarter 2018. The relatively low inventory of available office space and strong demand in the Seattle-Bellevue area should encourage asking rent growth in the near term, which may boost asking rents to surpass pre-recession highs.

1 Source: JLL Research

2 Source: CompTIA Research

3 According to Cushman & Wakefield Western, Inc.



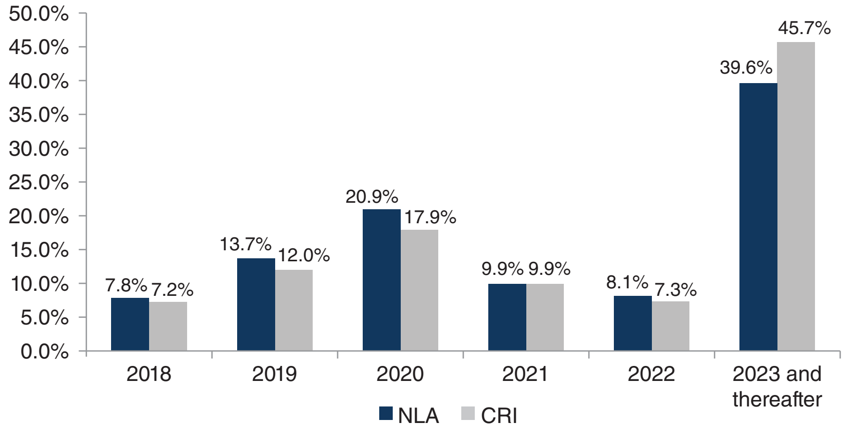
Redmond is one of the Eastside's most supply-constrained markets, with limited sites available for competitive new development. Most of the recent construction activities within the Redmond submarket and the wider Eastside office market have been mainly residential in response to the positive population growth arising from international and domestic talent migration.

Eastside Office Submarkets First Quarter 2018									
Submarket	Inventory	Overall Vacancy Rate	YTD Const. Completions	Under Construction	YTD Net Absorption	Class A Rent	Class B Rent	Overall Avg. Asking Rent	YTD Leasing
405 Corridor	2,351,494	6.2%	0	0	21,388	$36.55	$30.56	$29.41	43,639
520 Corridor	3,196,143	7.1%	0	0	16,445	$35.82	$32.04	$35.00	79,629
I-90 Corridor	6,716,041	10.3%	0	0	(74,708)	$36.61	$32.64	$34.02	284,317
Bel-Red	1,212,290	5.3%	0	0	(221)	N/A	$31.87	$28.90	79,892
Redmond	2,543,961	6.7%	0	0	194,426	$36.77	$32.01	$32.82	137,710
Kirkland	2,308,602	4.2%	0	660,000	57,817	$44.20	$27.69	$33.32	65,245
Bothell/Woodinville	2,596,230	19.1%	0	0	151,488	$32.28	$29.54	$30.72	133,015

Source: Cushman & Wakefield Research; compiled by C&W V&A

The favourable market conditions bode well for the Westpark Portfolio, which has a well-spread lease expiry that will allow the property to benefit from higher rental rates when current leases with lower rental rates are marked to market. According to the Independent Market Research Consultant, vacancy is expected to stabilise for the submarket over the next several years but rental rates are expected to continue to increase. Together with the strong office fundamentals and built-in rental escalation between 2-3% per annum for 100% of the leases, these provide strong growth momentum for the portfolio.

Westpark Portfolio Lease Expiry Profile[1] (By NLA and CRI)



3.3 Diversification of Portfolio Tenant Base with Increased Exposure to the Technology Sector

The Westpark Portfolio is leased to a diversified tenant base, concentrated mainly in the technology and professional services sectors. The relatively high number of tenants is due to the presence of technology start-ups and small and medium-sized enterprises, as well as boutique professional services firms operated by business owners residing in nearby residential neighbourhoods. Due to the diversified tenant base, there is limited tenant concentration within the Westpark Portfolio. The largest tenant of the Westpark Portfolio is Oculus, which will occupy approximately 12.6% of the total NLA. Oculus is an American technology company that specialises in virtual reality hardware and software products. It was founded in 2012 and was acquired by Facebook, Inc. in 2014 for approximately US$2.3 billion.

Apart from Oculus which has committed to approximately 12.6% of Westpark Portfolio's NLA, none of the remaining tenants lease more than 5.0% of Westpark Portfolio's NLA or contribute more than 5.0% of Westpark Portfolio's CRI.

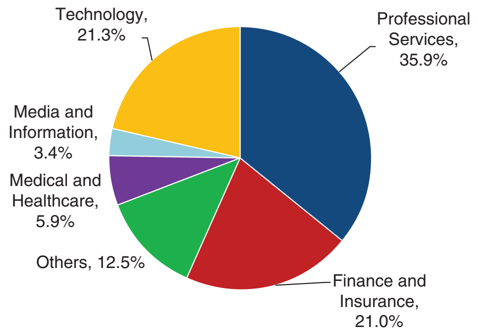
Top 10 Tenants (by NLA) of the Westpark Portfolio as at 30 June 2018

Tenant	Sector	Lease Term Remaining	% of NLA	% of CRI
Oculus VR, Inc.	Technology	7.3 years	12.6%	15.6%
Microsurgical Technology, Inc.	Medical and Healthcare	1.9 years	4.7%	3.4%
Helion Energy, Inc.	Technology	2.1 years	4.0%	3.2%
Echonous, Inc.	Technology	8.0 years	3.9%	4.6%
Micronics, Inc.	Medical and Healthcare	1.4 years	3.3%	3.4%
Wildlife Computers, Inc.	Technology	9.3 years	3.0%	3.6%
Seattle Aero, LLC	Engineering	3.6 years	2.8%	2.4%
Majiq, Inc.	Technology	6.6 years	2.7%	3.2%
Xtreme Consulting Group	Professional Services	1.8 years	2.7%	2.8%
Kone Inc.	Engineering	7.9 years	2.0%	1.9%
Total		**TOP 10 WALE (by NLA):** 5.3 years	**41.7%**	**44.1%**

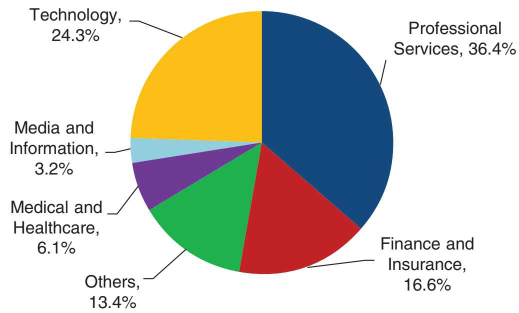
1 Includes the leases with Oculus.

Furthermore, the Acquisition will increase the exposure to the fast-growing technology sector in Keppel-KBS US REIT's portfolio from approximately 21.3% as at 30 June 2018 to approximately 24.3% by NLA following the completion of the Acquisition.

Existing Portfolio Tenant Base



Enlarged Portfolio Tenant Base



3.4 Enlarged and Diversified Portfolio Positioned for Long Term Growth

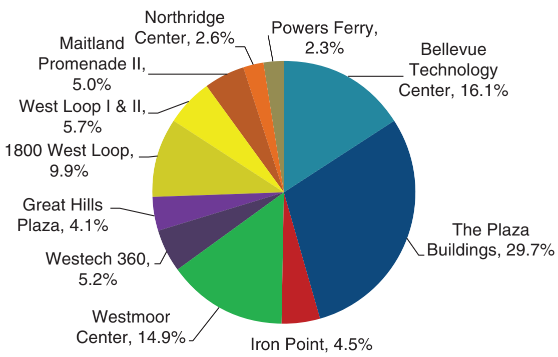
3.4.1 Strengthen portfolio diversification

Upon completion of the Acquisition, Keppel-KBS US REIT's aggregate valuation will increase by 20.8% from US$816.1 million to US$985.5 million and NLA will increase by 24.2% from 3,225,739 sq ft to 4,007,705 sq ft.

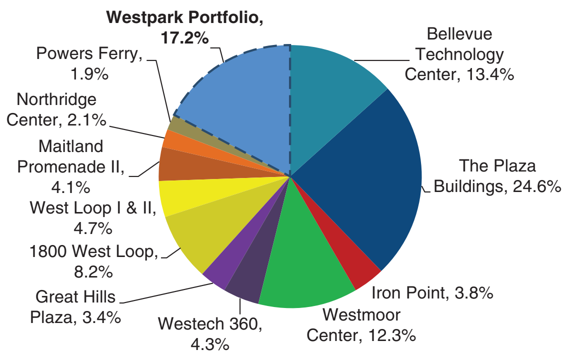
The Acquisition will allow Keppel-KBS US REIT to achieve diversification to its portfolio as it reduces the portfolio's largest asset exposure (based on valuation), the Plaza Buildings, from 29.7% to 24.6% and increases the number of tenants from 339 to 441.

Following the Acquisition, no single property will contribute more than 25.0% and 20.0% of Keppel-KBS US REIT's Enlarged Portfolio's valuation and CRI respectively.

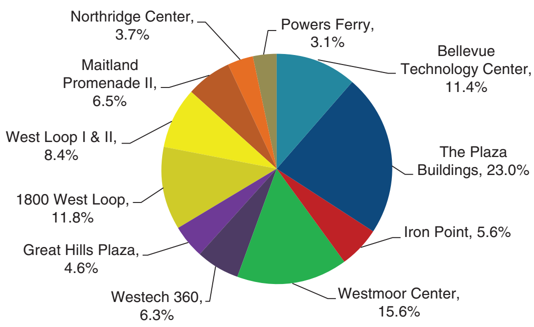
Existing Portfolio by Valuation[1]



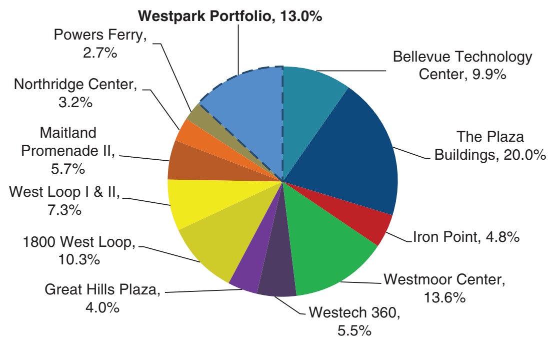
Enlarged Portfolio by Valuation[1]



Existing Portfolio by CRI



Enlarged Portfolio by CRI



Note:

(1) Valuation of the Existing Portfolio is based on the Unaudited Financial Statements. Valuation of the Westpark Portfolio is based on the Purchase Consideration of US$169.4 million.

3.4.2 Reduces concentration risk in the top ten tenants

After the Acquisition, the top 10 tenants' aggregate contribution to the portfolio's CRI for 30 June 2018 will decrease from 22.8% to 20.5% on a pro-forma basis.

The revised top 10 tenants for the enlarged portfolio would be as follows:

Tenant	Asset	% of CRI
Ball Aerospace & Tech Corp	Westmoor Center	3.0%
Oculus VR, Inc.	Westpark Portfolio	2.5%
Zimmer Biomet Spine, Inc.	Westmoor Center	2.5%
Unigard Insurance Company	Bellevue Technology Center	2.1%
US Bank National Association	The Plaza Buildings	2.0%
Blucora, Inc.	The Plaza Buildings	1.9%
Health Care Service Corp	1800 West Loop South	1.9%
Reed Group, Ltd.	Westmoor Center	1.7%
Regus PLC	Bellevue Technology Center	1.5%
Nintex USA, LLC	The Plaza Buildings	1.4%
	Total:	**20.5%**

3.5 Accretive Acquisition at Discount to Independent Valuations

3.5.1 Purchase price represents an attractive discount from appraised values

The agreed-upon purchase price of the Westpark Portfolio of US$169.4 million represents a discount of approximately 4.8% to Cushman's aggregate valuation of US$178.0 million and a discount of approximately 6.6% to JLL's aggregate valuation of US$181.4 million. The acquisition of the Westpark Portfolio at an attractive discount from the independent appraised values represents good value for Unitholders.

Aggregate Agreed Property Value Relative to Independent Valuations[1] (US$ million)

Note:

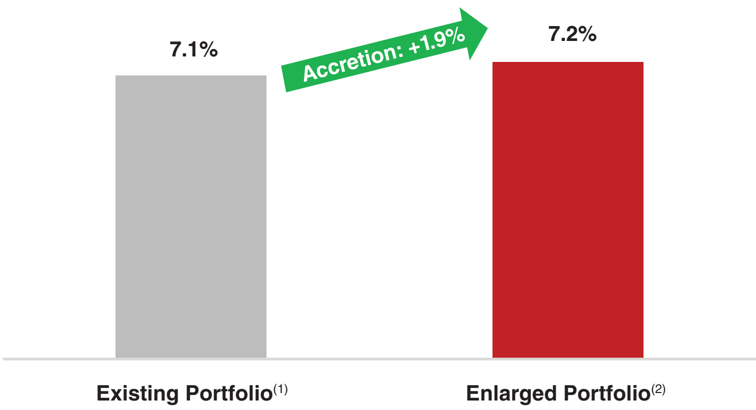
(1) The Manager has commissioned Cushman and the Trustee has commissioned JLL to value the Westpark Portfolio as at 31 July 2018.

3.5.2 Accretive acquisition creating value for unitholders

Based on the proposed method of financing, the Acquisition is expected to be DPU yield accretive on a pro-forma basis. The chart below illustrates the pro forma impact on Keppel-KBS US REIT's annualised DPU yield for the period from 9 November 2017 (the date of listing of Keppel-KBS US REIT) to 30 June 2018 in relation to the Existing Portfolio and the Enlarged Portfolio respectively.

For Illustration Purpose only

Pro Forma DPU Yield (Annualised)



Notes:

(1) Annualised DPU yield is computed based on the illustrative unit price of US$0.84.

(2) The calculation of annualised DPU yield assumes that (a) the Westpark Portfolio has a portfolio occupancy of 97.7% for the period between 9 November 2017 and 30 June 2018 and all leases, whether existing or committed as at the Latest Practicable Date, were in place since 9 November 2017, and (b) the Equity Fund Raising comprises only the Rights Issue, with an illustrative issue price of US$0.59 to raise gross proceeds of approximately US$102.3 million. Annualised DPU yield is estimated to be approximately 7.2% based on the illustrative theoretical ex-rights price of US$0.7854. For illustrative purposes only, if the Equity Fund Raising comprises only the Preferential Offering, with an illustrative issue price of US$0.78 to raise gross proceeds of approximately US$101.3 million, annualised DPU yield is estimated to be approximately 7.2% based on the illustrative unit price of US$0.84. Please refer to Section 5.1 Pro Forma Financial Effects of the Acquisition for more details.

4. EQUITY FUND RAISING

4.1 Structure of the Equity Fund Raising

The structure and timing of the Equity Fund Raising have not been determined by the Manager.

If and when the Manager decides to undertake the Equity Fund Raising, the Equity Fund Raising may, at the Manager's absolute discretion and subject to the then prevailing market conditions, comprise:

(i) the Rights Issue;

(ii) the Preferential Offering; or

(iii) both the Preferential Offering and the Private Placement, in which event the Preferential Offering will raise a portion of the proceeds, with the Private Placement raising the remaining amount.

Should the Equity Fund Raising comprise the Preferential Offering and as the case may be the Private Placement, the issue price for the New Units to be issued under the Equity Fund Raising will comply with Rules 816(2) and as the case may be 811(1) and 811(5) of the Listing Manual (as defined herein), and will not be at more than a 10.0% discount to the volume-weighted average price for trades done on the SGX-ST for the full market day on which an underwriting agreement between the Manager and the underwriter(s) (the "**Underwriting Agreement**") is signed, or (if trading in the Units is not available for a full market day) for the preceding market day up to the time the Underwriting Agreement is signed, excluding (where applicable) accrued distributions provided that the holders of the New Units are not entitled to the accrued distributions.

It is anticipated that the New Units to be issued pursuant to any Equity Fund Raising that may be undertaken by the Manager (less the Preferential Offering Units or the Rights Issue Units to be subscribed under the Undertakings) will be underwritten by underwriter(s) subject to, among others, the then prevailing market conditions.

The Underwriting Agreement is anticipated to be signed upon the terms of the Equity Fund Raising being agreed upon, which will be after the approval of the resolution for the Acquisition by the Unitholders at the EGM having been received.

The Equity Fund Raising will raise approximately US$100 million. As the Equity Fund Raising will be underwritten and taking into account the Undertakings provided, once the Equity Fund Raising is launched, subject to the terms and conditions of the Underwriting Agreement, the underwriters would underwrite any shortfall in demand. It should also be noted that one of the conditions precedent in the Purchase and Sale Agreement is that sufficient monies are raised to pay the Purchase Consideration. Accordingly, Keppel-KBS US REIT would not need to complete the Acquisition if the Equity Fund Raising is not successful.

In the event that the Equity Fund Raising comprises the Private Placement and the Preferential Offering, the issue price of the Private Placement Units may differ from the issue price of the Preferential Offering Units.

The Manager will announce the details of the Equity Fund Raising (including details pertaining to the use of proceeds and percentage allocation for each use) on the SGXNET at the appropriate time when it launches the Equity Fund Raising in such structure and at such time as may be agreed with the underwriter(s).

4.2 Use of Proceeds of the Equity Fund Raising

For illustrative purposes in this Circular, the Equity Fund Raising is assumed to raise gross proceeds of approximately US$100 million. The Manager intends to utilise all of the net proceeds of the Equity Fund Raising to finance part of the Total Acquisition Cost.

Notwithstanding its current intention, in the event that the Equity Fund Raising is completed but the Acquisition does not proceed for whatever reason, the Manager may, subject to relevant laws and regulations, utilise the net proceeds of the Equity Fund Raising at its absolute discretion for other purposes, including without limitation, the repayment of existing indebtedness and for funding capital expenditures.

The Manager will make periodic announcements on the utilisation of the net proceeds of the Equity Fund Raising via SGXNET as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated.

Where proceeds are to be used for working capital purposes, the Manager will disclose a breakdown with specific details on the use of proceeds for working capital in Keppel-KBS US REIT's announcements and in Keppel-KBS US REIT's annual report, and where there is any material deviation from the stated use of proceeds, the Manager will announce the reasons for such deviation.

Pending the deployment of the net proceeds of the Equity Fund Raising, the net proceeds may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions, or to be used to repay outstanding borrowings or for any other purpose on a short-term basis as the Manager may, in its absolute discretion, deem fit.

4.3 Undertaking by Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC

To demonstrate its support for Keppel-KBS US REIT and the Equity Fund Raising, Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC, which each owns an aggregate interest of approximately 6.97% of the total number of Units in issue as at the Latest Practicable Date, has irrevocably undertaken to the Manager on 23 September 2018 that, among other things, in the event that the Equity Fund Raising comprises the Preferential Offering or as the case may be the Rights Issue:

(i) subject to any prohibitions or restrictions imposed by the relevant regulatory authorities (including the SGX-ST), it will accept, subscribe and pay in full for, its total provisional allotment of the Preferential Offering Units or the Rights Issue Units; and

(ii) it will, in addition to paragraph (i) above, apply for, or procure the application of, such number of Excess Units, so that if each of Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC are fully allotted the Excess Units, each of Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC would maintain their percentage unitholding in Keppel-KBS US REIT at the Pre-Equity Fund Raising Percentage. For the avoidance of doubt, Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC, among others, will rank last in the allocation of excess Preferential Offering Units or Rights Issue Units applications.

The Manager will, however, not be subscribing for its pro-rated share of the Preferential Offering Units or the Rights Issue Units in the event that the Equity Fund Raising comprises the Preferential Offering or as the case may be the Rights Issue.

4.4 Consequential Adjustment to Distribution Period and Status of the New Units

Keppel-KBS US REIT's distribution policy is to distribute its distributable income on a semi-annual basis to Unitholders.

However, pursuant to the Equity Fund Raising, the Manager may decide to make adjustments to the distribution period which may include, among others, a cumulative distribution, an advanced distribution or such other plans to ensure fairness to existing Unitholders holding Units on the day immediately prior to the date on which the New Units are issued under the Private Placement.

In the event that the Manager undertakes the Preferential Offering, the Preferential Offering Units will, upon issue and allotment, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the Preferential Offering Units are issued, including the right to any distributions which may accrue prior to the issuance of the Preferential Offering Units.

In the event that the Manger undertakes a Rights Issue, the Rights Issue Units will, upon issue and allotment, rank *pari passu* in all respects with the Units in issue on the day immediately prior to the date on which the Rights Issue Units are issued, including the right to any distributions which may accrue prior to the issuance of the Rights Issue Units.

Further details pertaining to any adjustments to the distribution period, if any, and the status of the New Units issued pursuant to the Equity Fund Raising will be announced at the appropriate time.

5. DETAILS AND FINANCIAL INFORMATION OF THE ACQUISITION

5.1 Pro Forma Financial Effects of the Acquisition

5.1.1 Pro forma DPU

FOR ILLUSTRATIVE PURPOSE ONLY:

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

		After the Acquisition[1]	
	Before the Acquisition	Preferential Offering Scenario[2]	Rights Issue Scenario[3]
Distributable Income (US$'000)	24,069	29,373[4]	
Issued Units (million)	630.2[5]	761.8[6]	806.0[7]
DPU (US cents)	3.82	3.86	3.64
Annualised DPU Yield (%)	7.1[8]	7.2[9]	7.2[10]
Annualised DPU Yield (%) based on Issue Price	N.A.	7.7%[11]	9.6%[12]

Notes:

(1) The figures set out are purely for illustrative purposes only and depending on the market conditions, the proportion of debt and equity funding may differ which may in turn affect the financial effects of the Acquisition.

(2) Assuming that the Equity Fund Raising comprises the Preferential Offering at an illustrative issue price of US$0.78 to raise gross proceeds of approximately US$101.3 million (the "**Preferential Offering Scenario**").

(3) Assuming that the Equity Fund Raising comprises the Rights Issue at an illustrative issue price of US$0.59 to raise gross proceeds of approximately US$102.3 million (the "**Rights Issue Scenario**").

(4) Assuming the Westpark Portfolio has a portfolio occupancy of 97.7% for the period between 9 November 2017 and 30 June 2018 and all leases, whether existing or committed as at the Latest Practicable Date, were in place since 9 November 2017.

(5) Number of Units issued as at 30 June 2018.

(6) The total number of Units at the end of the period used in computing the DPU comprises the average of 629.4 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 129.8 million New Units issued under the Preferential Offering Scenario, (b) approximately US$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US$0.78 and (c) approximately 0.7 million new Units issued as payment to the Manager for the base management fee for the Westpark Portfolio for the period between 9 November 2017 and 30 June 2018.

(7) The total number of Units at the end of the period used in computing the DPU comprises the average of 629.4 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 173.3 million New Units issued under the Rights Issue Scenario, (b) approximately US$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US$0.59 and (c) approximately 0.8 million new Units issued as payment to the Manager for the base management fee for the Westpark Portfolio for the period between 9 November 2017 and 30 June 2018.

(8) Annualised DPU yield is computed based on the illustrative unit price of US$0.84.

(9) Annualised DPU yield is computed based on the illustrative unit price of US$0.84.

(10) Annualised DPU yield is computed based on the illustrative theoretical ex-rights price of US$0.7854.

(11) Annualised DPU yield is computed based on the illustrative issue price of US$0.78 under the Preferential Offering Scenario.

(12) Annualised DPU yield is computed based on the illustrative issue price of US$0.59 under the Rights Issue Scenario.

5.1.2 Pro forma NAV

FOR ILLUSTRATIVE PURPOSE ONLY:

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

		After the Acquisition	
	Before the Acquisition	Preferential Offering Scenario	Rights Issue Scenario
NAV represented by Unitholders' funds (US$'000)	563,794	667,572	667,572
Issued Units (million)	630.2(1)	762.2(2)	806.4(3)
NAV represented by Unitholders' funds per Unit (US$)	0.89	0.88	0.83

Notes:

(1) Number of Units issued as at 30 June 2018.

(2) The total number of Units at the end of the period used in computing the NAV per Unit comprises 630.2 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 129.8 million New Units issued under the Preferential Offering Scenario and (b) approximately US$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US$0.78.

(3) The total number of Units at the end of the period used in computing the NAV per Unit comprises 630.2 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 173.3 million New Units issued under the Rights Issue Scenario and (b) approximately US$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US$0.59.

5.1.3 Aggregate leverage

FOR ILLUSTRATIVE PURPOSE ONLY:

The pro forma financial aggregate leverage of Keppel-KBS US REIT for the financial period from 9 November 2017 to 30 June 2018, assuming that the Acquisition, issuance of New Units under the Equity Fund Raising, issuance of Acquisition Fee Units and drawdown of loan facilities were completed on 30 June 2018, are as follows:

	Before the Acquisition	After the Acquisition
Aggregate Leverage (pro forma as at 30 June 2018)	33.1%	34.1%

5.2 Requirement of Unitholders' Approval

5.2.1 Relative figures computed on the bases set out in Rule 1006

The relative figures computed on the following bases set out in Rules 1006(b) and 1006(c) of the Listing Manual are as follows:

(i) the net profits attributable to the assets acquired, compared with Keppel-KBS US REIT's net profits; and

(ii) the aggregate value of the consideration given, compared with Keppel-KBS US REIT's market capitalisation.

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.

Comparison of:	The Acquisition (US$'000)	Keppel-KBS US REIT (US$'000)	Relative figure (%)
Net profits before tax	4,741[1]	31,540[2]	15.0
Consideration against market capitalisation	169,359	498,734[3]	34.0

Notes:

(1) Relates to an estimated net profit before tax of the Westpark Portfolio for the period from 9 November 2017 to 30 June 2018 assuming the Westpark Portfolio has a portfolio occupancy of 97.7% for the period between 9 November 2017 and 30 June 2018 and all leases, whether existing or committed as at the Latest Practicable Date, were in place since 9 November 2017.

(2) Relates to Keppel-KBS US REIT's actual net profit before tax for the period from 9 November 2017 to 30 June 2018.

(3) Based on the last traded price of US$0.79 per Unit on SGX-ST on 21 September 2018, the market day prior to the date of the Purchase and Sale Agreement.

The Manager is of the view that the Acquisition is in the ordinary course of Keppel-KBS US REIT's business as it is within the investment policy of Keppel-KBS US REIT and does not change the risk profile of Keppel-KBS US REIT. As such, the Acquisition should therefore not be subject to Chapter 10 of the Listing Manual. However, as the Acquisition is an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Appendix, the Acquisition will still be subject to the specific approval of Unitholders.

5.2.2 Interested Person Transaction and Interested Party Transaction

Under Chapter 9 of the Listing Manual, where Keppel-KBS US REIT proposes to enter into a transaction with an interested person (as defined in the Listing Manual) and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of Keppel-KBS US REIT's latest audited NTA, Unitholders' approval is required in respect of the transaction. Based on Keppel-KBS US REIT's Unaudited Financial Statements (as defined herein), the NTA of Keppel-KBS US REIT was US$563.8 million as at 30 June 2018. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by Keppel-KBS US REIT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S$100,000) entered into with the same interested person during the current financial year, equal to or in excess of US$28.2 million, such a transaction would be subject to Unitholders' approval.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Unitholders' approval for an interested party transaction by Keppel-KBS US REIT whose value exceeds 5.0% of Keppel-KBS US REIT's latest audited NAV. As Keppel-KBS US REIT was only listed on 9 November 2017, it does not have any audited financial statements. Based on Keppel-KBS US REIT's Unaudited Financial Statements, the NAV of Keppel-KBS US REIT was US$563.8 million as at 30 June 2018. Accordingly, if the value of a transaction which is proposed to be entered into by Keppel-KBS US REIT with an interested party (as defined in the Property Funds Appendix) is equal to or greater than US$28.2 million, such a transaction would be subject to Unitholders' approval.

The Manager is a joint venture held between the Sponsors, being KC and KPA, in equal share. The Vendor is a fund managed by KBS. As disclosed in the Keppel-KBS US REIT prospectus dated 2 November 2017, the co-founding partners of KBS include Peter McMillan III and Keith D. Hall, who are partners of KPA and, together, indirectly hold a one-third stake of KBS. As KPA is a co-sponsor of Keppel-KBS US REIT, transactions between Keppel-KBS US REIT and any funds managed by KBS in the future will constitute interested person transactions under Chapter 9 of the Listing Manual. Therefore, the Acquisition will constitute an "Interested Person Transaction" under Chapter 9 of the Listing Manual as well as an "Interested Party Transaction" under the Property Funds Appendix, in respect of which the approval of Unitholders is required.

The Purchase Consideration of US$169.4 million is 30.0% of the NTA and NAV respectively of Keppel-KBS US REIT as at 30 June 2018. The value of the Acquisition will therefore exceed (i) 5.0% of Keppel-KBS US REIT's latest NTA and (ii) 5.0% of Keppel-KBS US REIT's latest NAV. Therefore, the approval of Unitholders would be required in relation to the Acquisition pursuant to Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, respectively.

As at the Latest Practicable Date, other than the Acquisition, Keppel-KBS US REIT has not entered into any interested person transactions during the course of the current financial year.

5.3 Interests of Directors and Substantial Unitholders

As at the Latest Practicable Date, Mr Peter McMillan III is the non-executive Chairman of the Manager and also a co-founder of the KBS group. Further details of the interests in Units of the Directors and Substantial Unitholders[1] are set out below.

Based on the Register of Directors' Unitholdings maintained by the Manager, the Directors and their interests in the Units as at the Latest Practicable Date are as follows:

Name of Director	Direct Interest		Deemed Interest		Total no. of Units held	%
	No. of Units	%	No. of Units	%		
Peter McMillan III(1)	–	–	2,381,431	0.38	2,381,431	0.38
Soong Hee Sang	–	–	–	–	–	–
John J. Ahn	–	–	–	–	–	–
Kenneth Tan Jhu Hwa	–	–	–	–	–	–
Paul Tham	–	–	–	–	–	–

Note:

(1) Peter McMillan III's deemed interest arises from his shareholdings in KBS Pacific Advisors Pte. Ltd., which in turn is deemed to have an interest in the units held by Keppel-KBS US REIT Management Pte. Ltd., a 50:50 joint-venture of Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd..

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager, the Substantial Unitholders and their interests in the Units as at the Latest Practicable Date are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total no. of Units held	%
	No. of Units	%	No. of Units	%		
Temasek Holdings (Private) Limited(1)	–	–	69,474,500	11.05	69,474,500	11.05
Keppel Capital Investment Holdings Pte. Ltd.	43,999,500	6.97	–	–	43,999,500	6.97
Keppel Capital Holdings Pte. Ltd.(2)	–	–	46,380,931	7.35	46,380,931	7.35
Keppel Corporation Limited(3)	–	–	46,380,931	7.35	46,380,931	7.35
KBS SOR Properties LLC	43,999,500	6.97	–	–	43,999,500	6.97

1 "**Substantial Unitholders**" refers to persons with an interest in Units constituting not less than 5.0% of all Units in issue.

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total no. of Units held	%
	No. of Units	%	No. of Units	%		
KBS SOR (BVI) Holdings Ltd(4)	–	–	43,999,500	6.97	43,999,500	6.97
KBS Strategic Opportunity Limited Partnership(5)	–	–	43,999,500	6.97	43,999,500	6.97
KBS Strategic Opportunity REIT, Inc.(6)	–	–	43,999,500	6.97	43,999,500	6.97
Hillsboro Capital, Ltd	56,818,200	9.00	–	–	56,818,200	9.00

Notes:

(1) Temasek Holdings (Private) Limited's deemed interest arises from the deemed interest held by Keppel Corporation Limited and DBS Group Holdings Ltd.

(2) 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.; and (ii) Keppel-KBS US REIT Management Pte. Ltd., a 50:50 joint-venture of Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd..

(3) Keppel Corporation Limited'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., which is in turn a wholly-owned subsidiary of Keppel Corporation Limited; and (ii) Keppel-KBS US REIT Management Pte. Ltd., a 50:50 joint-venture of Keppel Capital Holdings Pte. Ltd. and KBS Pacific Advisors Pte. Ltd..

(4) KBS SOR (BVI) Holdings Ltd's deemed interest arises from its shareholdings in KBS SOR Properties LLC, a wholly-owned subsidiary of KBS SOR (BVI) Holdings Ltd..

(5) KBS Strategic Opportunity Limited Partnership's deemed interest arises from its shareholdings in KBS SOR Properties LLC, a wholly-owned subsidiary of KBS SOR (BVI) Holdings Ltd, which is in turn a wholly-owned subsidiary of KBS Strategic Opportunity Limited Partnership.

(6) KBS Strategic Opportunity REIT, Inc.'s deemed interest arises from its shareholdings in KBS SOR Properties LLC, a wholly-owned subsidiary of KBS SOR (BVI) Holdings Ltd, which is in turn a wholly-owned subsidiary of KBS Strategic Opportunity Limited Partnership. KBS Strategic Opportunity Limited Partnership is a wholly-owned subsidiary of KBS Strategic Opportunity REIT, Inc..

Save as disclosed above and based on information available to the Manager as at the Latest Practicable Date, none of the Directors or the Substantial Unitholders have an interest, direct or indirect, in the Acquisition.

5.4 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.

6. RECOMMENDATION

Based on the opinion of the IFA (as set out in the IFA Letter in **Appendix C** of this Circular) and the rationale for the Acquisition as set out in paragraph 3 above, the directors who are not interested in the Acquisition (being Mr Soong Hee Sang, Mr John J. Ahn, Mr Kenneth Tan Jhu Hwa and Mr Paul Tham) and the Audit and Risk Committee believe that the Acquisition is on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and the minority Unitholders.

Accordingly, the directors who are not interested in the Acquisition (being Mr Soong Hee Sang, Mr John J. Ahn, Mr Kenneth Tan Jhu Hwa and Mr Paul Tham) recommend that Unitholders vote at the EGM in favour of the resolution to approve the Acquisition.

As disclosed in the Keppel-KBS US REIT prospectus dated 2 November 2017, any nominees appointed by Keppel Capital Holdings Pte. Ltd. and/or its subsidiaries (being Mr Paul Tham) to the Board will not abstain from deliberation and voting in any transactions which the KBS group has an interest in (e.g. transactions involving assets sold by REITs or funds managed by KBS group to Keppel-KBS US REIT) as such nominee is not related to the KBS group.

7. EXTRAORDINARY GENERAL MEETING

The EGM will be held on Tuesday, 16 October 2018 at 9.30 a.m. at Level 3, Jasmine Main Ballroom, Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956, for the purpose of considering and, if thought fit, passing with or without modification, the resolution set out in the Notice of Extraordinary General Meeting, which is set out on pages E-1 and E-2 of this Circular. The purpose of this Circular is to provide Unitholders with relevant information about the resolution. Approval by way of an Ordinary Resolution is required in respect of the Resolution.

A Depositor shall not be regarded as a Unitholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Units entered against his name in the Depository Register, as certified by CDP as at 72 hours before the time fixed for the EGM.

8. PROHIBITION ON VOTING

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested in at the EGM.

Given that the Westpark Portfolio will be acquired from a fund managed by KBS, KPA and KBS and their associates and funds managed by KBS are prohibited from voting on the Resolution. The Manager will also abstain from voting on the Resolution.

For the purposes of good corporate governance, Mr Peter McMillan III, being a co-founder of KBS, will abstain from voting on the Resolution, unless he is appointed as a proxy with specific instructions to vote.

However, Keppel Capital Investment Holdings Pte. Ltd. will be voting on the Resolution as it is not related to the KBS group.

9. ACTION TO BE TAKEN BY UNITHOLDERS

Unitholders will find enclosed in this Circular the Notice of Extraordinary General Meeting and a Proxy Form.

If a Unitholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than Saturday, 13 October 2018 at 9.30 a.m., being 72 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting in person at the EGM if he so wishes.

Persons who have an interest in the approval of the Resolution must decline to accept appointment as proxies unless the Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the Resolution.

If a Unitholder wishes to appoint Mr Peter McMillan III as his/her proxy/proxies for the EGM, he/she should give specific instructions in his/her Proxy Form as to the manner in which his/her vote is to be cast in respect of the resolution.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Acquisition, Keppel-KBS US REIT and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

11. CONSENTS

Each of the IFA (being Deloitte & Touche Corporate Finance Pte. Ltd.), the Independent Valuers (being Cushman & Wakefield of Washington, Inc. and JLL Valuation & Advisory Services, LLC) and the Independent Market Research Consultant (being Cushman & Wakefield Western, Inc.) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and, respectively, the IFA Letter and the market valuation reports and all references thereto, in the form and context in which they are included in this Circular.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager[1] at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 from the date of this Circular up to and including the date falling three months after the date of this Circular:

(i) the Purchase and Sale Agreement;

(ii) the IFA Letter;

(iii) the market valuation report on the Westpark Portfolio issued by Cushman;

(iv) the market valuation report on the Westpark Portfolio issued by JLL;

(v) the independent market research report issued by the Independent Market Research Consultant;

(vi) the Unaudited Financial Statements; and

(vii) the written consent of the IFA, the Independent Valuers and the Independent Market Research Consultant.

1 Prior appointment will be appreciated.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Keppel-KBS US REIT is in existence.

Yours faithfully

Keppel-KBS US REIT Management Pte. Ltd.
(as manager of Keppel-KBS US REIT)
(Company Registration No. 201719652G)

David Snyder
Chief Executive Officer

IMPORTANT NOTICE

The value of 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 or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Keppel-KBS US REIT is not necessarily indicative of the future performance of Keppel-KBS US REIT.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States of America ("**United States**" or "**U.S.**"). It is not an offer of securities for sale into the United States. The Units may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) unless they are registered or exempt from registration. There will be no public offer of securities in the United States.

GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

%	:	Per centum or percentage
Acquisition	:	The proposed acquisition of the Westpark Portfolio
Acquisition Fee Units	:	Acquisition fee of US$1.7 million payable in Units to the Manager
aggregate leverage	:	The ratio of the value of borrowings and deferred payments (if any) to the value of Deposited Property
associate	:	Has the meaning ascribed to it in the Listing Manual
Audit Committee	:	The audit committee of the Manager
Business Days	:	Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are generally open for business in Singapore and the SGX-ST is open for trading
Cash Rental Income	:	Rental income and recoveries income without straight-line adjustments and amortisation of tenant improvement allowance, leasing commissions and free rent incentives
CDP	:	The Central Depository (Pte) Limited
Circular	:	This circular to Unitholders dated 28 September 2018
Completion	:	The completion of the Acquisition
controlling shareholder	:	Has the meaning ascribed to it in the Listing Manual and Property Funds Appendix
CRI	:	Cash Rental Income
Cushman	:	Cushman & Wakefield of Washington, Inc.
Deposited Property	:	The total assets of Keppel-KBS US REIT, including all its authorised investments held or deemed to be held upon trust under the Trust Deed
Directors	:	Directors of the Manager
DPU	:	Distribution per Unit
EGM	:	The extraordinary general meeting of Unitholders to be held on Tuesday, 16 October 2018 at 9.30 a.m. at Level 3, Jasmine Main Ballroom, Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956, to approve the matters set out in the Notice of Extraordinary General Meeting on pages E-1 and E-2 of this Circular

Enlarged Portfolio	:	Comprises the Existing Portfolio and the Westpark Portfolio
Equity Fund Raising	:	An equity fund raising which may comprise the Private Placement, the Preferential Offering or the Rights Issue. Depending on the market conditions, it may also comprise both the Private Placement and the Preferential Offering.
Excess Units	:	The excess Preferential Offering Units
Existing Portfolio	:	The portfolio of properties currently held by Keppel-KBS US REIT as at the Latest Practicable Date
Existing Units	:	The Units in issue on the day immediately prior to the date on which the New Units are issued
Free Rent Arrangement	:	Shall have the meaning as set out in paragraph 2.5.1 of the Letter to Unitholders
IFA	:	The independent financial adviser to the Independent Directors and the Trustee, being Deloitte & Touche Corporate Finance Pte. Ltd.
IFA Letter	:	The letter from the IFA to the Independent Directors and the Trustee containing its advice as set out in **Appendix C** of this Circular
Independent Directors	:	The independent directors of the Manager
Independent Market Research Consultant	:	Cushman & Wakefield Western, Inc.
Independent Valuers	:	Cushman & JLL
Interested Party	:	Has the meaning ascribed to it in the Property Funds Appendix
Interested Party Transaction	:	Has the meaning ascribed to it in the Property Funds Appendix
Interested Person	:	Has the meaning ascribed to it in the Listing Manual
Interested Person Transaction	:	Has the meaning ascribed to it in the Listing Manual
JLL	:	JLL Valuation & Advisory Services, LLC
KBS	:	KBS Capital Advisors LLC
KC	:	Keppel Capital Holdings Pte. Ltd.
Keppel-KBS US REIT	:	Keppel-KBS US REIT

KORE Buyer LLC	Keppel-KBS Westpark, LLC, a wholly-owned subsidiary of Keppel-KBS US REIT
KPA	KBS Pacific Advisors Pte. Ltd.
Latest Practicable Date	18 September 2018, being the latest practicable date prior to the printing of this Circular
Leases	All of the Vendor's interest in all leases, tenancy agreements and other similar occupancy agreements affecting the Westpark Portfolio as at the date of closing of the Purchase and Sale Agreement
Listing Manual	The Listing Manual of the SGX-ST
Manager	Keppel-KBS US REIT Management Pte. Ltd., in its capacity as manager of Keppel-KBS US REIT
NAV	Net asset value
New Leases with Free Rent	Shall have the meaning as set out in paragraph 2.5.1 of the Letter to Unitholders
New Units	The new Units to be issued under the Equity Fund Raising
NLA	Net lettable area
NTA	Net tangible assets
Oculus	Oculus VR, Inc.
Ordinary Resolution	A resolution proposed and passed as such by a majority being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
Preferential Offering	The non-renounceable preferential offering of New Units to the existing Unitholders on a pro rata basis
Preferential Offering Scenario	The scenario where the Equity Fund Raising comprises the Preferential Offering at an illustrative issue price of US$0.78 to raise gross proceeds of approximately US$101.3 million
Preferential Offering Units	The New Units to be issued pursuant to the Preferential Offering
Pre-Equity Fund Raising Percentage	Each of Keppel Capital Investment Holdings Pte. Ltd.'s and KBS SOR Properties LLC's percentage unitholding in Keppel-KBS US REIT prior to the Equity Fund Raising

Private Placement	:	The private placement of New Units to institutional and other investors
Private Placement Units	:	The New Units to be issued pursuant to the Private Placement
Purchase and Sale Agreement	:	The purchase and sale agreement entered into by the KORE Buyer LLC with the Vendor to acquire the Westpark Portfolio
Purchase Consideration	:	The purchase consideration of US$169.4 million for the Acquisition
Property Funds Appendix	:	Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore
REIT	:	Real estate investment trust
Relevant Amount	:	Shall have the meaning as set out in paragraph 2.5.1 of the Letter to Unitholders
Rent Shortfall Amount	:	Shall have the meaning as set out in paragraph 2.5.1 of the Letter to Unitholders
Resolution	:	The resolution to approve the Acquisition
Rights Issue	:	The renounceable rights issue of New Units to the existing Unitholders on a pro-rata basis
Rights Issue Scenario	:	The scenario where the Equity Fund Raising comprises the Rights Issue at an illustrative issue price of US$0.59 to raise gross proceeds of approximately US$102.3 million
Rights Issue Units	:	The New Units to be issued pursuant to the Rights Issue
S$ and **cents**	:	Singapore dollars and cents
Seattle MSA	:	Seattle-Tacoma-Bellevue Metropolitan Statistical Area
SGX-ST	:	Singapore Exchange Securities Trading Limited
SPV	:	Special purpose vehicle
sq ft	:	Square feet
Substantial Unitholders	:	Persons with an interest in Units constituting not less than 5.0% of the total number of Units in issue, and "**Substantial Unitholder**" means any one of them
Title Company	:	First American Title Insurance Company
Total Acquisition Cost	:	The total cost of the Acquisition

Trust Deed	:	The trust deed dated 22 September 2017 entered into between the Trustee and the Manager, as amended, varied, or supplemented from time to time
Trustee	:	Perpetual (Asia) Limited, in its capacity as trustee of Keppel-KBS US REIT
Unaudited Financial Statements	:	The unaudited financial statements of Keppel-KBS US REIT for the financial period from 9 November 2017 to 30 June 2018
Undertakings	:	The irrevocable undertakings provided by Keppel Capital Investment Holdings Pte. Ltd. and KBS SOR Properties LLC in relation to the Preferential Offering
Underwriting Agreement	:	The underwriting agreement to be entered between the Manager and the underwriter(s) in relation to the Equity Fund Raising
Unit	:	A unit representing an undivided interest in Keppel-KBS US REIT
Unitholder	:	The registered holder for the time being of a Unit, including person(s) so registered as joint holders, except where the registered holder is CDP, the term "Unitholder" shall, in relation to Units registered in the name of CDP, mean, where the context requires, the Depositor whose Securities Account with CDP is credited with Units
United States or U.S.	:	United States of America
Vendor	:	KBS SOR Westpark Portfolio, LLC
Westpark Portfolio	:	The 21 buildings located at 8200 – 8644 154th Ave NE, Redmond, WA 98052, United States

The terms "Depositor" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

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DETAILS OF THE WESTPARK PORTFOLIO, THE EXISTING PORTFOLIO AND THE ENLARGED PORTFOLIO

1. THE WESTPARK PORTFOLIO[1]

1.1 Description of the Westpark Portfolio

The Westpark Portfolio consists of 21 buildings, totalling 781,966 sq ft of NLA over 41.3 acres. Located adjacent to downtown Redmond, Washington, the Westpark Portfolio is well situated for tenants' needs and provides access to the area's numerous amenities. The Westpark Portfolio includes three clusters of buildings:

- Westpark Business Park, which encompasses 14 two-story office buildings totalling 583,524 sq ft;
- Redmond Center Court, which encompasses two industrial buildings totalling 77,510 sq ft; and
- Pacific Business and Technology Center, which encompasses five office buildings totalling 120,932 sq ft.

The Westpark Portfolio is situated on grounds in a park-like setting with easy access to State Route 520/Interstate 405 and in close proximity to Redmond Town Center and Microsoft World Headquarters. The portfolio is located close to downtown Redmond, Marymoor Park, and Redmond Town Center. It is positioned on easy transit routes and less than one-half mile away from the Redmond Transit Center.

The table below sets out a summary of selected information on the Westpark Portfolio as at 30 June 2018 (unless otherwise indicated).

Address	8200 – 8644 154th Ave NE, Redmond, WA 98052
Land Tenure	Freehold
Completion Date	Between 1986 to 1992
Refurbishment	2016 to 2017
Occupancy as at 30 June 2018	86.8%
Committed Occupancy as at 30 June 2018	97.7%
Property Manager	Transwestern Commercial Services Washington, LLC
Leasing Agent	Jones Lang LaSalle, Inc.
Parking Stalls	2,345
NLA (sq ft)	781,966
Land Area (sq ft)	1,804,255

1 The lease with Oculus was entered into on 10 August 2018. Unless otherwise stated, all the figures relating to the Westpark Portfolio are computed based on the assumption that the lease with Oculus was in place as at 30 June 2018.

Valuation by JLL	US$181,400,000
Valuation by Cushman	US$178,000,000
Number of Tenants as at 30 June 2018	102
WALE by NLA as at 30 June 2018 (years)	4.0
WALE by CRI as at 30 June 2018 (years)	4.3

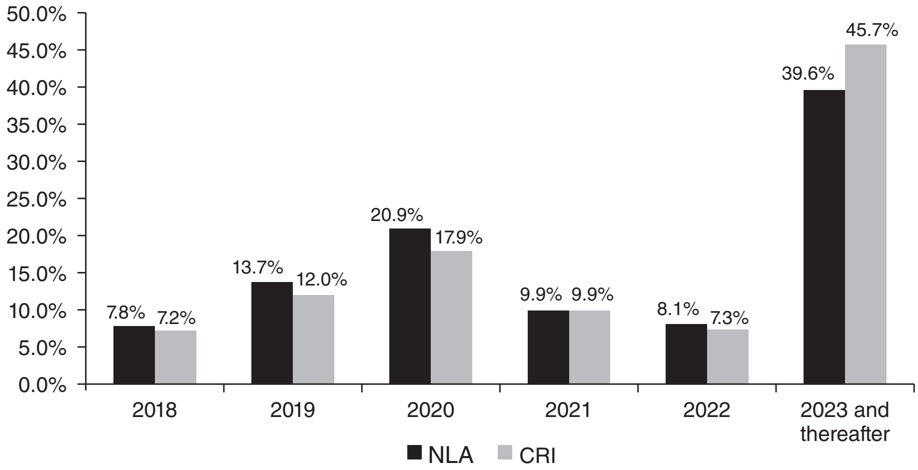
1.2 Top Ten Tenants of the Westpark Portfolio

The table below sets out selected information on the top 10 tenants of the Westpark Portfolio as at 30 June 2018.

Tenant	Sector	Lease Term Remaining	% of NLA	% of CRI
Oculus VR, Inc.	Technology	7.3 years	12.6%	15.6%
Microsurgical Technology, Inc.	Medical and Healthcare	1.9 years	4.7%	3.4%
Helion Energy, Inc.	Technology	2.1 years	4.0%	3.2%
Echonous	Technology	8.0 years	3.9%	4.6%
Micronics, Inc.	Medical and Healthcare	1.4 years	3.3%	3.4%
Wildlife Computers, Inc.	Technology	9.3 years	3.0%	3.6%
Seattle Aero, LLC	Engineering	3.6 years	2.8%	2.4%
Majiq, Inc.	Technology	6.6 years	2.7%	3.2%
Xtreme Consulting Group	Professional Services	1.8 years	2.7%	2.8%
Kone Inc.	Engineering	7.9 years	2.0%	1.9%
Total		**TOP 10 WALE (by NLA):** 5.3 years	**41.7%**	**44.1%**

1.3 Lease Expiry Profile

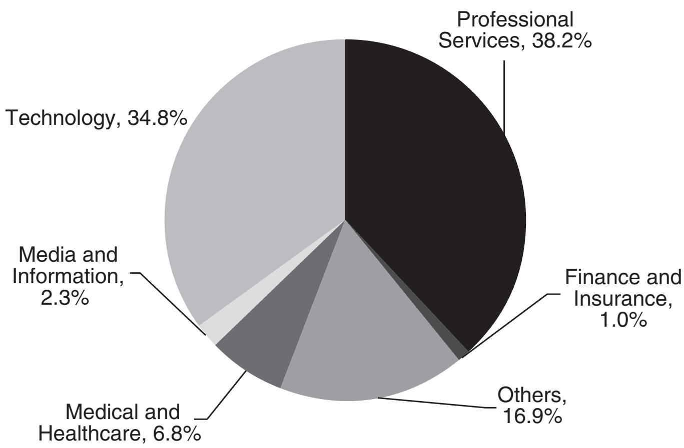
The graphs below illustrate the lease expiry profile of the Westpark Portfolio by NLA and CRI as at 30 June 2018.



The WALE by NLA of the Westpark Portfolio as at 30 June 2018 is 4.0 years. The WALE by CRI of the Westpark Portfolio as at 30 June 2018 is 4.3 years.

1.4 Trade Sector Analysis

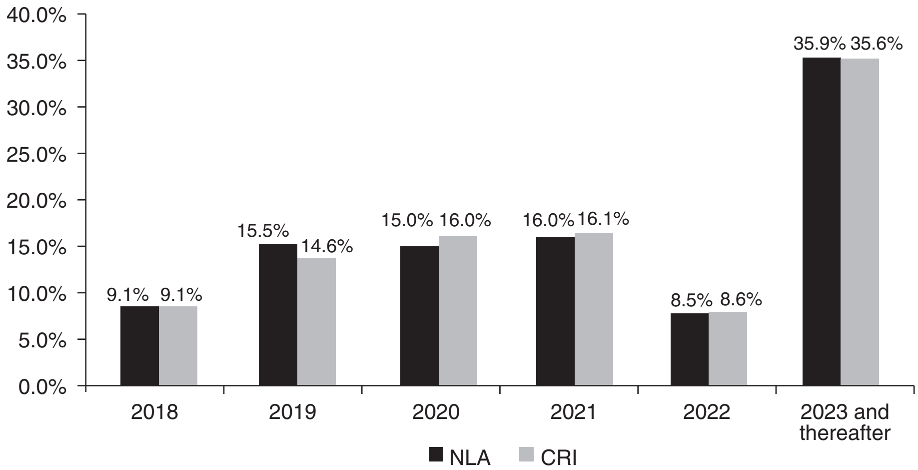
The chart below provides a breakdown by NLA by trade sector as at 30 June 2018.



2 EXISTING PORTFOLIO

2.1 Lease Expiry Profile for the Existing Portfolio (as at 30 June 2018)

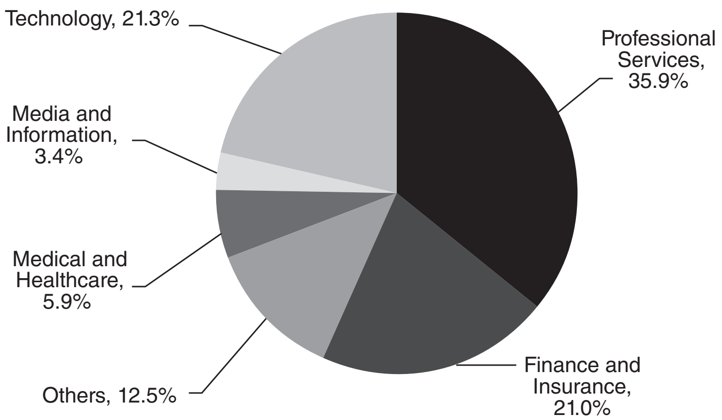
The graphs below illustrate the lease expiry profile of the Existing Portfolio by NLA and CRI as at 30 June 2018.



The WALE by NLA of the Existing Portfolio as at 30 June 2018 and the WALE by CRI of the Existing Portfolio as at 30 June 2018 are both 3.7 years.

2.2 Trade Sector Analysis

The chart below provides a breakdown by NLA by trade sector of the Existing Portfolio as at 30 June 2018.



2.3 Top Ten Tenants of the Existing Properties

The table below sets out selected information on the top 10 tenants of the Existing Portfolio by percentage of CRI as at 30 June 2018.

Tenant	Asset	% of CRI
Ball Aerospace & Tech Corp	Westmoor Center	3.6%
Zimmer Biomet Spine, Inc.	Westmoor Center	2.9%
Unigard Insurance Company[1]	Bellevue Technology Center	2.5%
US Bank National Association	The Plaza Buildings	2.4%
Blucora, Inc.	The Plaza Buildings	2.3%
Health Care Service Corp	1800 West Loop South	2.2%
Reed Group, Ltd.	Westmoor Center	2.0%
Regus PLC	Bellevue Technology Center	1.7%
Nintex USA LLC	The Plaza Buildings	1.7%
PointMarc LLC	The Plaza Buildings	1.5%
Top 10 Tenants		**22.8%**

3. ENLARGED PORTFOLIO[2]

3.1 Overview of the Enlarged Portfolio

The table below sets out selected information on the Enlarged Portfolio as at 30 June 2018.

Total/Weighted Average	The Westpark Portfolio	Existing Portfolio	Enlarged Portfolio
NLA (sq ft)	781,966	3,225,739	4,007,705
Number of Tenants	102	339	441
Committed Occupancy (%)	97.7	90.3	91.8
WALE by NLA (Years)	4.0	3.7	3.8
Valuation (US$ million)	169.4[3]	816.1	985.5

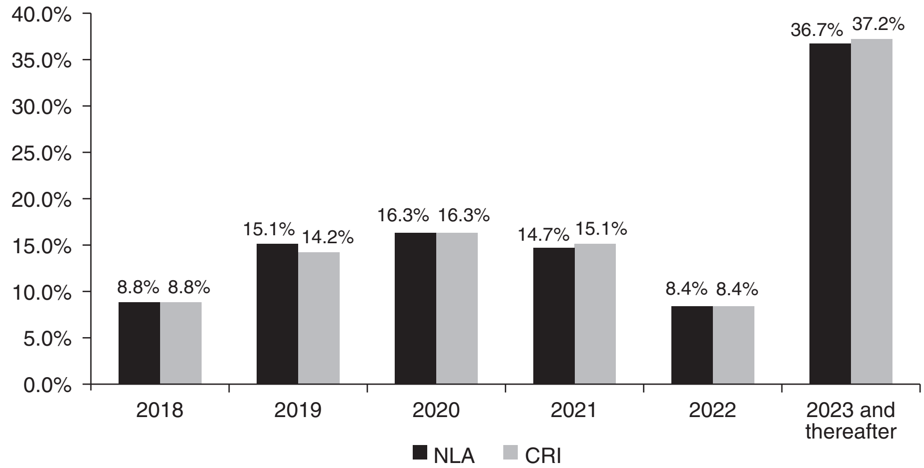
1 Unigard Insurance Company is a subsidiary of QBE Insurance Group.

2 All the figures relating to the Enlarged Portfolio are assumed on a stabilised basis of the Westpark Portfolio unless otherwise stated.

3 Valuation of the Westpark Portfolio is based on the Purchase Consideration.

3.2 Lease Expiry Profile for the Enlarged Portfolio (as at 30 June 2018)

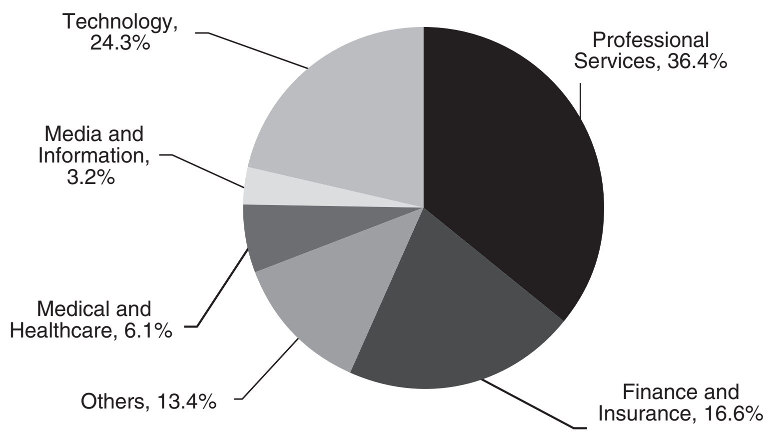
The graphs below illustrate the lease expiry profile of the Enlarged Portfolio by NLA and CRI as at 30 June 2018.



The WALE by NLA of the Enlarged Portfolio as at 30 June 2018 and the WALE by CRI of the Enlarged Portfolio as at 30 June 2018 are both 3.8 years.

3.3 Trade Sector Analysis

The chart below provides a breakdown by NLA by trade sector of the Enlarged Portfolio as at 30 June 2018.



3.4 Top Ten Tenants of the Enlarged Portfolio

The table below sets out selected information on the top 10 tenants of the Enlarged Portfolio by percentage of CRI as at 30 June 2018.

Tenant	Asset	% of CRI
Ball Aerospace & Tech Corp	Westmoor Center	3.0%
Oculus VR, Inc.	Westpark Portfolio	2.5%
Zimmer Biomet Spine, Inc.	Westmoor Center	2.5%
Unigard Insurance Company[(1)]	Bellevue Technology Center	2.1%
US Bank National Association	The Plaza Buildings	2.0%
Blucora, Inc.	The Plaza Buildings	1.9%
Health Care Service Corp	1800 West Loop South	1.9%
Reed Group, Ltd.	Westmoor Center	1.7%
Regus PLC	Bellevue Technology Center	1.5%
Nintex USA, LLC	The Plaza Buildings	1.4%
Total:		20.5%

Note:

(1) Unigard Insurance Company is a subsidiary of QBE Insurance Group.

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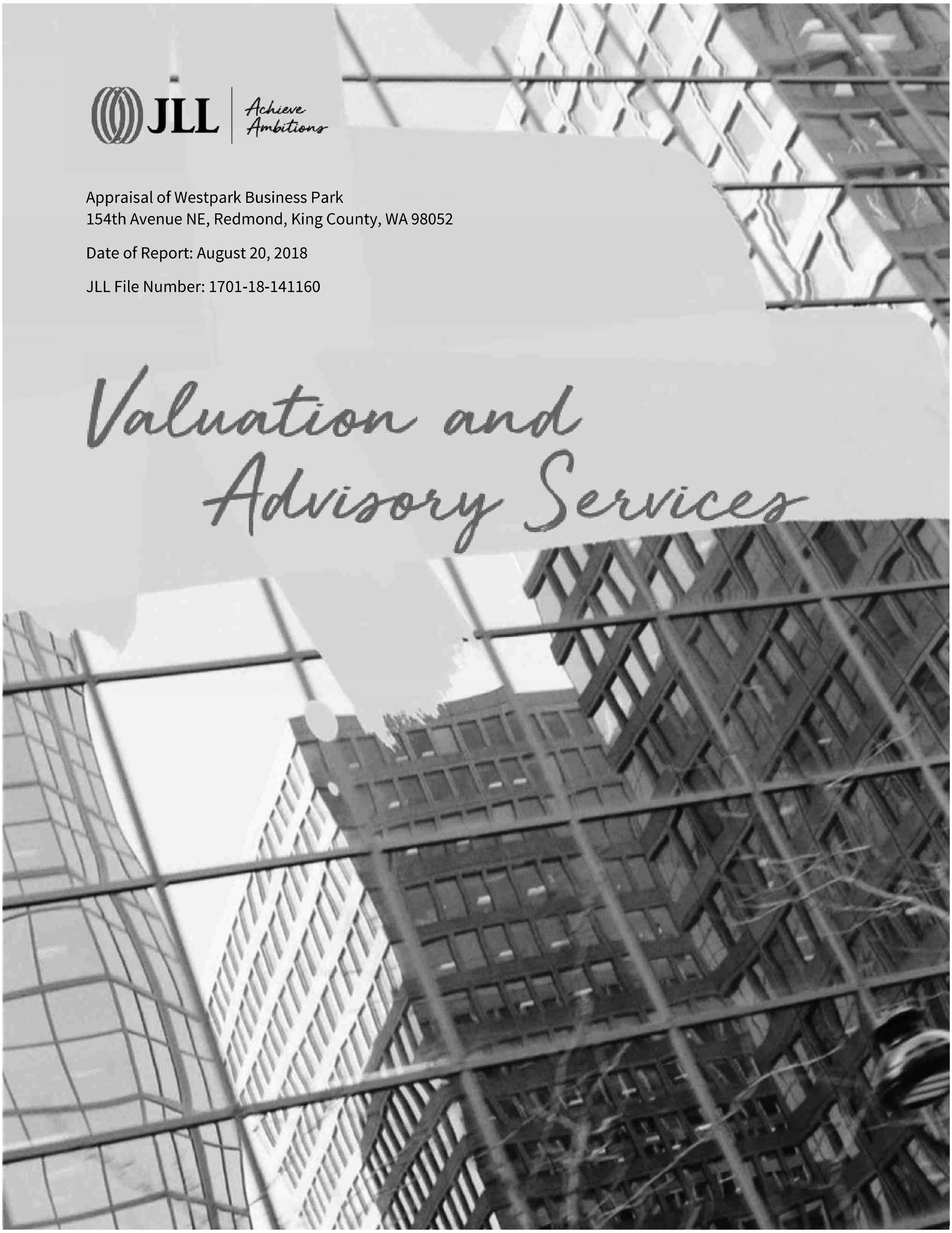
VALUATION CERTIFICATES



JLL | Achieve Ambitions

Appraisal of Westpark Business Park
154th Avenue NE, Redmond, King County, WA 98052

Date of Report: August 20, 2018

JLL File Number: 1701-18-141160

Valuation and Advisory Services

Westpark Business Park
154th Avenue NE
Redmond, WA 98052

JLL
5 Riverway, Suite 200
Houston, TX 77056
Phone: 713-243-3300
Fax: 713-827-8552

August 20, 2018

Keppel-KBS US REIT Management Pte. Ltd. As Manager of Keppel-KBS US REIT
230 Victoria Street
#05-08 Bugis Junction Towers
Singapore 188024

Perpetual (Asia) Limited
(in its capacity as trustee of Keppel-KBS US REIT)
8 Marina Boulevard
#05-02
Marina Bay Financial Centre
Singapore 018981

Re: Appraisal

Westpark Business Park
154th Avenue NE
Redmond, King County, WA 98052

File Number: 1701-18-141160

Dear Sirs:

At your request, we have prepared an appraisal for the above referenced property, which may be briefly described as follows:

The subject property is a business park that consists of 21 office/warehouse buildings built from 1986 - 1992 and contains 781,966 square feet of net rentable area. The site area consists of 41.42 acres or 1,804,255 square feet. The subject property is currently approximately 84% occupied, however, a major lease was just signed by a major technology tenant who will commence in December-2018 and increase occupancy to approximately 95%. The client for the assignment is Perpetual (Asia) Limited (in its capacity as Trustee of Keppel-KBS REIT). This report is to be used in connection with the potential sale of Westpark Portfolio and would be a document for inspection by the public, with a summary of the report to be included in the prospectus to be issued in connection with the sale of the Westpark Portfolio.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and applicable state appraisal regulations.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), we have made the following value conclusion(s):

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Leased Fee	July 31, 2018	$181,400,000

Your attention is directed to the Limiting Conditions and Assumptions section of this report. Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, we note the following:

Extraordinary Assumptions & Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in the analysis which, if found to be false, could alter the appraiser's opinions of conclusions.

1. This report is being delivered in connection with that certain engagement letter, dated June 12, 2018 between JLL Valuation & Advisory Services LLC and Perpetual (Asia) Limited (in its capacity as Trustee of Keppel-KBS US REIT) (the "Agreement"). This report and limiting assumptions are subject to the terms of the Agreement, including without limitation, Section 1.3 of Exhibit B, which states that "The parties agree that this Agreement and all obligations of each party hereunder are subject to applicable law. In the event of a conflict between the terms hereof and applicable law, the applicable law will govern and prevail."

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. None

It is noted that we did not take into consideration of any free-rent buy-out or/and income support from the major technology tenant. If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

JLL Valuation & Advisory Services, LLC

Kai Pan, MAI
Senior Vice President
Certified General Real Estate Appraiser
WA Certificate #: 1102442
Telephone: (713) 243-3391
Email: kai.pan@am.jll.com

Certification Statement

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions and conclusions.
3. We have no present or prospective future interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
5. JLL Valuation & Advisory Services is a wholly owned subsidiary of Jones Lang LaSalle, Inc. (JLL). JLL provides agency services for the tenant or owner of the real property. We have no bias with respect to the other JLL entity involved in the subject and are not compensated or penalized in any way for favorable or unfavorable value or outcome with respect to the subject property or other parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. We certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
12. The appraisers have not performed any prior services regarding the subject within the previous three years of the appraisal date.
13. Kai Pan, MAI, has made an inspection of the subject property.
14. Significant real property appraisal assistance was provided by Travis A. Austin who has not signed this certification.

15. As of the date of this report, Kai Pan, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.

Kai Pan, MAI
Senior Vice President
Certified General Real Estate Appraiser
WA Certificate #: 1102442

Summary of Salient Facts and Conclusions

Property Name	Westpark Business Park
Address	154th Avenue NE
	Redmond, King County, Washington 98052
Property Type	Business Park
Owner of Record	KBS SOR WESTPARK PORTFOLIO
Tax ID	Various - see Appendix
Land Area	41.42 acres; 1,804,255 SF
Number of Buildings	21
Gross Floor Area (SF)	781,966
Gross Building Area (SF)	781,966
Percent Leased	95%
Year Built	1986 - 1992
Zoning Designation	BP, Business Park
Highest & Best Use - As If Vacant	Business Park Use
Highest & Best Use - As Improved	Continued Use As A Business Park
Exposure Time; Marketing Period	6 - 12 months; 6 - 12 months
Date of Report	August 20, 2018

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion	Per Sq. Ft.
Market Value As Is	Leased Fee	July 31, 2018	$181,400,000	$231.98

The values reported above are subject to definitions, assumptions and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the client and intended users may use or rely on the information, opinions and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions and limiting conditions contained therein.

Extraordinary Assumptions & Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in the analysis which, if found to be false, could alter the appraiser's opinions of conclusions.

1. This report is being delivered in connection with that certain engagement letter, dated June 12, 2018 between JLL Valuation & Advisory Services LLC and Perpetual (Asia) Limited (in its capacity as Trustee of Keppel-KBS US REIT) (the "Agreement"). This report and limiting assumptions are subject to the terms of the Agreement, including without limitation, Section 1.3 of Exhibit B, which states that "The parties agree that this Agreement and all obligations of each party hereunder are subject to applicable law. In the event of a conflict between the terms hereof and applicable law, the applicable law will govern and prevail."

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. None

It is noted that we did not take into consideration of any free-rent buy-out or/and income support from the major technology tenant.

Part Two

Valuation Approaches		
Cost Approach	Not Applied	
Sales Comparison Approach	Applied	
Income Capitalization Approach	Applied	
Major Tenants	**Lease End Date**	**Total SF**
[Major Technology Tenant]	2/28-2026-7/31/2026	99,067
Microsurgical Technology	5/31/2020	36,948
Hellion	7/31/2020	31,371
Echonous	6/30/2026	30,594
Micronics, Inc.	11/30/2019	25,360
Sales Approach		
Number of Sales	5	
Range of Sale Dates	Jul-17 to Jun-18	
Range of Unit Prices	$205.60 to $344.85	
Indicated Value	$187,700,000	
Income Capitalization Approach		
Potential Gross Income at Stabilization	$16,367,826	
Stabilized % Vacancy & Collection Loss	5.00%	
Effective Gross Income	$15,574,435	
Operating Expenses	$4,391,454	
Property Management Fee	$420,510	
Property Tax	$1,085,490	
Net Operating Income	$11,182,980	
Weighted Average Lease Expiry (WALE)	4 Years, 17 Days	
Compounded Rental Growth rate over Holding Period	3.70%	
Implied Initial Yield	5.68%	
Capitalization Rate Applied	6.00%	
Discount Rate Applied	7.50%	
Terminal Capitalization Rate Applied	6.75%	
Property Assessed Value	$108,812,900	
Market Value Conclusion	**$181,400,000**	**$231.98**

Limiting Conditions and Assumptions

1. All reports and work product we deliver to you (collectively called "report") represent an opinion of value, based on historical information and forecasts of market conditions. Actual results may vary from those forecast in the report. There is no guaranty or warranty that the opinion of value reflects the actual value of the property.
2. The conclusions stated in our report apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events. Assessed values may change significantly and unexpectedly over short periods. We are not liable for any conclusions in the report that may be different if there are subsequent changes in value. We are not liable for loss relating to reliance upon our report more than three months after its date.
3. There may be differences between projected and actual results because events and circumstances frequently do not occur as predicted, and those differences may be material. We are not liable for any loss arising from these differences.
4. We are not obligated to predict future political, economic or social trends. We assume no responsibility for economic factors that may affect or alter the opinions in the report if the economic factors were not present as of the date of the letter of transmittal accompanying the report.
5. The report reflects an appraisal of the property free of any liens or encumbrances unless otherwise stated.
6. We assume responsible ownership and competent property management.
7. The appraisal process requires information from a wide variety of sources. We have assumed that all information furnished by others is correct and complete, up to date and can be relied upon, but no warranty is given for its accuracy. We do not accept responsibility for erroneous information provided by others. We assume that no information that has a material effect on our appraisal has been withheld.
8. We assume the following, unless informed to the contrary in writing: Each property has a good and marketable title. All documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other adverse title conditions, which would have a material effect on the value of the interest under consideration. There is no material litigation pending involving the property. All information provided by the Client, or its agents, is correct, up to date and can be relied upon. We are not responsible for considerations requiring expertise in other fields, including but not limited to: legal descriptions, interpretation of legal documents and other legal matters, geologic considerations such as soils and seismic stability, engineering, or environmental and toxic contaminants. We recommend that you engage suitable consultants to advise you on these matters.
9. We assume that all engineering studies are correct. The plot plans and illustrative material in the report are included only to help the reader visualize the property.

10. We assume that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. We are not responsible for such conditions or for obtaining the engineering studies that may be required to discover them.
11. We assume that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the report. We have not made or requested any environmental impact studies in conjunction with the report. We reserve the right to revise or rescind any opinion of value that is based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the report assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
12. Unless otherwise stated in the report, you should assume that we did not observe any hazardous materials on the property. We have no knowledge of the existence of such materials on or in the property; however, we are not qualified to detect such substances, and we are not providing environmental services. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. Our report assumes that there is no such material on or in the property that would cause a loss in value. We do not assume responsibility for such conditions or for any expertise or engineering knowledge required to discover them. We encourage you to retain an expert in this field, if desired. We are not responsible for any such environmental conditions that exist or for any engineering or testing that might be required to discover whether such conditions exist. We are not experts in the field of environmental conditions, and the report is not an environmental assessment of the property.
13. We may have reviewed available flood maps and may have noted in the report whether the property is generally located within or out of an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property. Any opinion of value we include in our report assumes that floodplain and/or wetlands interpretations are accurate.
14. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether it is in compliance with the ADA. We claim no expertise in ADA issues, and render no opinion regarding compliance of the property with ADA regulations.
15. We assume that the property conforms to all applicable zoning and use regulations and restrictions unless we have identified, described and considered a non-conformity in the report.
16. We assume that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in the report is based.
17. We assume that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

18. We have not made any investigation of the financial standing of actual or prospective tenants unless specifically noted in the report. Where properties are valued with the benefit of leasing, we assume, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the leases, all rent and other amounts payable under the leases have been paid when due, and that there are no undisclosed breaches of the leases.
19. We did not conduct a formal survey of the property and assume no responsibility for any survey matters. The Client has supplied the spatial data, including sketches and/or surveys included in the report, and we assume that data is correct, up to date and can be relied upon.
20. Unless otherwise stated, the opinion of value included in our report excludes any additional value attributable to goodwill, or to fixtures and fittings which are only of value, in situ, to the present occupier. We have made no allowance for any plant, machinery or equipment unless they form an integral part of the building and would normally be included in a sale of the building. We do not normally carry out or commission investigations into the capacity or condition of services being provided to the property. We assume that the services, and any associated controls or software, are in working order and free from defect. We also assume that the services are of sufficient capacity to meet current and future needs.
21. In the case of property where construction work is in progress, such as refurbishment or repairs, or where developments are in progress, we have relied upon cost information supplied to us by the Client or its appointed experts or upon industry accepted cost guides. In the case of property where construction work is in progress, or has recently been completed, we do not make allowance for any liability already incurred, but not yet discharged, in respect of completed work, or obligations in favor of contractors, subcontractors or any members of the professional or design team. We assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
22. Any allocation in the report of value between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
23. The report is confidential to the party to whom it is addressed and those other intended users specified in the report for the specific purpose to which it refers. Use of the report for any other purpose or use by any party not identified as an intended user of the report without our prior written consent is prohibited, and we accept no responsibility for any use of the report in violation of the terms of this Agreement.
24. We are not required to testify or provide court-related consultation or to be in attendance in court unless we have agreed to do so in writing.
25. Neither the whole report, nor any part, nor reference thereto, may be published in any manner without our prior written approval.

26. We may rely on, and will not verify, the accuracy and sufficiency of documents, information and assumptions provided to it by the Client or others. We will not verify documents, information and assumptions derived from industry sources or that JLL or its affiliates have prepared in the regular course of business. We are not liable for any deficiency in the report arising from the inaccuracy or insufficiency of such information, documents and assumptions. However, our report will be based on our professional evaluation of all such available sources of information.
27. JLL IS NOT LIABLE TO ANY PERSON OR ENTITY FOR LOSS OF PROFITS, CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR SIMILAR DAMAGES IN CONNECTION WITH THIS AGREEMENT. IN NO EVENT SHALL THE LIABILITY OF JLL AND ITS AFFILIATES IN CONNECTION WITH THIS AGREEMENT EXCEED THE FEE PAID TO JLL HEREUNDER.
28. Unless expressly advised to the contrary, we assume that appropriate insurance coverage is and will continue to be available on commercially acceptable terms.
29. We assume that no material changes in any applicable federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.

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August 22, 2018

KEPPEL-KBS US REIT MANAGEMENT PTE. LTD. (AS MANAGER OF KEPPEL-KBS US REIT)
230 Victoria Street
#05-08 Bugis Junction Towers
Singapore 188024

Perpetual (Asia) Limited (in its capacity as trustee of Keppel-KBS US REIT)
8 Marina Boulevard
#05-02 Marina Bay Financial Centre
Singapore 018981

Re: Summary of Valuation

KEPPEL-KBS US REIT MANAGEMENT PTE. LTD. (AS MANAGER OF KEPPEL-KBS US REIT) AND PERPETUAL (ASIA) LIMITED (IN ITS CAPACITY AS TRUSTEE OF KEPPEL-KBS US REIT)
Westpark Portfolio in Redmond, Washington

Cushman & Wakefield File ID: 18-38032-900543-001

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our opinion of Market Value for the properties that comprise the above referenced portfolio.

In the course of this assignment, an individual Appraisal Report was prepared by Cushman & Wakefield for the referenced client. This Valuation Summary includes individual Value Certificate for the property that is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout the individual Appraisal Report (including any Extraordinary Assumptions), and these are made in conjunction with those included within the Assumptions and Limiting Conditions section located within this report. **Furthermore, the conclusions summarized in the valuation certificate is based on the data, analyses and conclusions set forth in the individual Appraisal Report, and it is necessary to have our individual Appraisal Report to understand our valuation. The individual Appraisal Report is incorporated into this report by reference and are considered an integral part of this Valuation Summary.** We assume the reader of this report has access to the individual Appraisal Report.

This Valuation Summary, has been prepared in accordance with the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the Code of Ethics and Certification Standards of the Appraisal Institute. As value opinions are communicated herein, this report is presented as a condensed Appraisal Report that briefly summarizes the conclusions set forth in the more comprehensive individual Appraisal Reports for each property. Please refer to the individual appraisals for information regarding each property, their markets and the specific analyses and conclusions for each.

Scope of Work

Scope of work is the type and extent of research and analyses involved in an assignment. To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the relevant characteristics of the subject property, and other pertinent factors. Our concluded scope of work is summarized below and applies primarily to the individual Appraisal Reports, which are incorporated into this report. Additional scope details are included in the individual Appraisal Reports.

Research

- A Cushman & Wakefield appraiser inspected the property and its environs. Physical information on the subject was obtained from the property owner's representative, public records, and/or third-party sources.
- Regional economic and demographic trends, as well as the specifics of the subject's local area were investigated. Data on the local and regional property market (supply and demand trends, rent levels, etc.) was also obtained. This process was based on interviews with regional and/or local market participants, primary research, available published data, and other various resources.
- Other relevant data was collected, verified, and analyzed. Comparable property data was obtained from various sources (public records, third-party data-reporting services, etc.) and confirmed with a party to the transaction (buyer, seller, broker, owner, tenant, etc.) wherever possible. It is, however, sometimes necessary to rely on other sources deemed reliable, such as data reporting services.

Analysis

- Based upon the subject property characteristics, prevailing market dynamics, and other information, we developed an opinion of the property's Highest and Best Use.
- We analyzed the data gathered using generally accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value.
- The results of each valuation approach are considered and reconciled into a reasonable value estimate.

This report is intended to comply with the reporting requirements outlined under USPAP for an Appraisal Report. The report was also prepared to comply with the requirements of the Code of Professional Ethics of the Appraisal Institute.

This report was prepared by Judson H. Cline, MAI, MRICS with assistance from the individuals cited in the Certification of Appraisal section of this report who were responsible for the preparation of the individual appraisal reports on each property as well as development of the individual opinions of value.

An appraiser with Cushman & Wakefield inspected the properties and prepared the individual appraisals on each property. Please refer to the individual appraisals for each appraiser's Scope of Work, analysis and conclusions. These individuals are mentioned in the Certification of Appraisal section of this report.

Methodology

This individual appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches should be considered applicable and/or necessary for market participants. Typical purchasers do not generally rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value. Additional details regarding the methodologies employed in our valuation are included in the individual Appraisal Report.

Report Option Description

USPAP identifies two written report options: Appraisal Report and Restricted Appraisal Report. This document is prepared as an Appraisal Report in accordance with USPAP guidelines. The terms "describe," summarize," and "state" connote different levels of detail, with "describe" as the most comprehensive approach and "state" as the least detailed. As such, the following provides specific descriptions about the level of detail and explanation included within the report. It should be noted, that most of the detail identified below is presented in the individual Appraisal Reports, which have been incorporated into this report by reference:

- Describes the real estate and/or personal property that is the subject of the appraisal, including physical, economic, and other characteristics that are relevant
- States the type and definition of value and its source
- Describes the Scope of Work used to develop the appraisal
- Describes the information analyzed, the appraisal methods used, and the reasoning supporting the analyses and opinions; explains the exclusion of any valuation approaches
- States the use of the property as of the valuation date
- Describes the rationale for the Highest and Best Use opinion (if included)

Definitions of Value and Interest Appraised

We developed opinions of the Market Value of the leased fee interest for each property.

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Sixth Edition (2015), published by the Appraisal Institute, as well as other sources.

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Leased Fee Interest

As ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Identification of Property

The property included in the subject portfolio is located in the Northwest area of the United States in the state of Washington.

Ref.	Property	Investment Class	City	State	Primary Market	Submarket
1	154th Avenue NE & NE 85th Street	A	Redmond	Washington	Seattle/Bellevue	Redmond

Please refer to the Valuation Certificate included in this report as well as the individual Appraisal Report for additional identification details.

Property Ownership and Recent History

Please refer to the individual appraisal report prepared by Cushman & Wakefield, Inc. for the property's ownership entity, sale history, current disposition and information with regard to inspections.

Client, Intended Use and Users of the Appraisal

Client

KEPPEL-KBS US REIT MANAGEMENT PTE. LTD. (AS MANAGER OF KEPPEL-KBS US REIT) AND PERPETUAL (ASIA) LIMITED (IN ITS CAPACITY AS TRUSTEE OF KEPPEL-KBS US REIT)

Intended Use

This Valuation Summary report, along with the individual Appraisal Reports that are incorporated into this report, are to be used in connection with an intended acquisition of the asset and will be a document for inspection by the public, through a circular to be issued in connection with general meeting of unitholders of Keppel-KBS US REIT, including any supplementary documents (if any), related filings, presentations and any materials and disclosures in connection thereto.

Subject to the Additional Conditions set forth below, Cushman & Wakefield Western, Inc. will provide a written consent to the issuer in the form as required under the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and the Monetary Authority of Singapore to (i) it being named as industry expert, (ii) its report being included in the circular (including an offering to institutional and other investors outside of Singapore) and (if necessary) (iii) the inclusion in the circular of statements made by, or statements based on statements made by, the industry expert.

Any consent to the uses identified in the preceding paragraph is subject to the following:

1. Cushman & Wakefield's approval of the reference to the appraisal, such approval not to be unreasonably withheld. Client agrees to pay the reasonable fees of Cushman & Wakefield's legal counsel for the review of the form and content of a Consent Letter, a summary of the reports contained in the Offering.
2. Receipt of a duly executed indemnity agreement from an entity acceptable to Cushman & Wakefield and in the form attached to the letter of engagement from the Client, with the Exhibit A thereto appropriately completed to the satisfaction of Cushman & Wakefield, acting reasonably.

Intended Users

KEPPEL-KBS US REIT MANAGEMENT PTE. LTD. (AS MANAGER OF KEPPEL-KBS US REIT) AND PERPETUAL (ASIA) LIMITED (IN ITS CAPACITY AS TRUSTEE OF KEPPEL-KBS US REIT)

The individual Valuation Certificate follows. **The conclusions summarized in the valuation certificate is based on the data, analyses and conclusions set forth in the individual Appraisal Report, and it is necessary to have our individual Appraisal Report to understand our valuation.**

Respectfully submitted,

CUSHMAN & WAKEFIELD WESTERN, INC.

Judson H. Cline, MAI, MRICS
Senior Director
California Certified General Appraiser
License No. AG027622
judson.cline@cushwake.com
916-473-7396 Office Direct

VALUATION CERTIFICATE – WESTPARK PORTFOLIO, REDMOND, WASHINGTON

Property:	Westpark Portfolio, 154th Avenue NE & NE 85th Street, Redmond, King County, Washington 98052
Client:	Keppel-KBS US REIT Management Pte. Ltd. (as Manager of Keppel-KBS US REIT), and Perpetual (Asia) Limited (in its capacity as trustee of Keppel-KBS US REIT)
Name of Registered Owner:	KBS SOR Westpark Portfolio, LLC
Purpose of Valuation:	Estimate Market Value to be used in connection with the potential sale of the property. The report may be made available for inspection by the public and a summary of the report may be included in public filings made in connection with the sale of the property.
Date of Inspection:	June 18, 2018
Type of Property	Suburban business park.
Property Description:	The subject property consists of a 41.26-acre site that is improved with 782,035 square feet of rentable building area. The improvements consists of 21 Class B office and flex buildings that were built from 1984 to 1992. All of the buildings are considered to be of typical quality for their vintage and to be in good condition as of the date of inspection. 72.7 percent of the rentable area is built out as office space and the remaining space is flex warehouse. Overall, the property is considered to be a desirable Class B asset. The property is currently approximately 87 percent occupied by more than 100 tenants at an average contract rent of $15.68 per square foot.
Building Assessment:	During the course of our site visit, the property was found to be of average quality for its vintage and to be in good condition having been adequately maintained and updated as necessary. The property is located within the Willows area of Redmond, approximately two miles to the north of the Microsoft headquarters and at the center of the Eastside Suburban market. A key factor in its market appeal is its flex warehouse industrial spaces which are valued by many users, particularly start-up technology firms. After considering all of the physical characteristics of the subject, we have concluded that this property has an overall rating that is good when measured against other properties in this marketplace.
Surrounding Infrastructure:	The subject is located in a cluster of suburban business parks that are characterized by a significant quantity of high-tech and incubator office/warehouse space. The high-tech and flex components are generally over and above the standard distribution or warehousing space found to the north in the Everett area and to the south in the Kent Valley. The area is surrounded by a variety of uses including residential, recreational, office and light industrial/flex. The primary north/south roadways in the immediate area are Willows Road NE which is located just west of the subject, and Redmond-Woodinville Road NE, which defines the eastern boundary of the neighborhood. The primary east/west roadway is Redmond Way which is located just to the south of the subject and provides direct access to downtown Redmond.

	Major roads in the immediate area include State Highway 520; State Highway 202 (Woodinville-Redmond Road); and Interstate 405. These roadways provide extensive linkages and easy accessibility to surrounding market areas. Access to State Highway 520 is approximately one mile to the southeast of the subject via West Lake Sammamish Parkway NE.
Assessor's Parcel IDs:	022505-9027, 022505-9186, 022505-9187, 022505-9189, 022505-9241, 659980-0010, 659980-0020, 659980-0040, 659980-0080, 659980-0090, 931200-0010, 931200-0020, 931200-0030, 931201-0010, 931201-0020 and 931201-0030.
Property Interest:	Leased Fee Estate
Land Area:	41.26 acres / 1,797,452 square feet
Gross Building Area:	782,035 square feet
Net Rentable Area:	782,035 square feet
Years of Completion:	1982 – 1994
Condition:	Good
City Planning/Zoning:	"Manufacturing Park" by the City of Redmond. Per the Redmond Municipal Code "the purpose of the Manufacturing Park (MP) zone is to provide locations for existing and future manufacturing and industrial uses, particularly those that require significant areas for storage or materials and equipment (both indoors and outdoors), and that are better suited for locations outside of Downtown and Overlake due to site requirements, noise impacts, transportation need, or other considerations.
Income Support:	The appraised values did not take into consideration of the free-rent buy-out or/and income support from the major tech tenant. If the free-rent buy-out or/and income support from the major tech tenant are taken into consideration, the assessed values would be higher.
Tenancy Profile:	The five largest tenants by rentable area as of the date of value are as follows: • Microsurgical Technologies, Inc. (36,948 square feet through May of 2020) • Helion Energy (31,371 square feet through July of 2020) • EchoiNous, Inc. (30,591 square feet through June of 2026) • Miconiocs, Inc. (25,360 square feet through November of 2019) • Wildlife Computers (23,292 square feet through November of 2027)
Assessed Value:	$108,812,900
Capitalization Rate:	6.25%
Terminal Capitalization Rate:	6.75%
Discount Rate:	7.50%
Initial Yield (Implied Cap Rate):	5.76%
Weighted Average Lease Expiration:	3 years, 8 months

Gross Income	$18,148,403
Net Operating Income:	$11,325,622
Operating Expenses:	$6,296,592
Property Management Fee:	$745,041
Property Tax:	$1,101,772
Compound Rental Growth Rate over 5 years and 10 years:	3.0% / 3.0%
Compound CPI Index over 5 yrs and 10 yrs:	3.0% / 3.0%
Occupancy:	87%
Tenant Mix:	The property is currently approximately 87 percent occupied by more than 100 tenants at an average contract rent of $15.68 per square foot. We have been informed that the landlord has agreed to the terms of a lease with a major technology tenant for 99,067 square feet of space in buildings C, M and N. With the commencement of the lease on December 1, 2018 the subject will be at stabilized occupancy. There is approximately 68 percent potential rollover during the first five years of the analysis period and approximately 164 percent during the entire ten-year holding period. This is considered to be typical rollover risk for a property of this type.
Basis of Valuation:	Market Value – Subject to existing tenancies
Valuation Approaches:	Sales Comparison and Income Capitalization (Direct Capitalization and Yield Capitalization methodologies)
Date of Valuation:	July 31, 2018
Market Value:	$178,000,000, or $227.61 per square foot
Assumptions, Disclaimers:	This valuation certificate is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout the Appraisal Report for this property, which are made in conjunction with those included within the Assumptions and Limiting Conditions section located within this report as well as any Extraordinary Assumptions. Furthermore, the conclusions summarized in this valuation certificate are based on the data, analyses and conclusions set forth in the individual Appraisal Report and it is necessary to have our individual Appraisal Report to understand our valuation. This valuation is only for the use of the party to whom it is addressed and for the intended use stated in this report. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation.
Prepared By:	Cushman & Wakefield of Washington, Inc. Robert D. Taylor, MAI, MRICS, ASA

Assumptions and Limiting Conditions

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"Cushman & Wakefield" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of Cushman & Wakefield who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor Cushman & Wakefield shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of Cushman & Wakefield any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of Cushman & Wakefield is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without Cushman & Wakefield's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by Cushman & Wakefield in writing to use or rely thereon, hereby agrees to indemnify and hold Cushman & Wakefield, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. Cushman & Wakefield assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. Cushman & Wakefield recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and Cushman & Wakefield make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. Cushman & Wakefield recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. Cushman & Wakefield recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of Cushman & Wakefield, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- Subject to applicable laws and regulations (including the Singapore Securities and Futures Act, Chapter 289 of Singapore) its sole and exclusive remedy for any and all losses or damages relating to this agreement or the appraisal shall be limited to two millions dollars ($2.0 million). In the event that the Client, or any other party entitled to do so, makes a claim against Cushman & Wakefield or any of its affiliates or any of their respective officers or employees in connection with or in any way relating to this engagement or the appraisal, the maximum damages recoverable from Cushman & Wakefield or any of its affiliates or their respective officers or employees shall be subject to applicable laws and regulations (including the Singapore Securities and Futures Act, Chapter 289 of Singapore) limited to two million dollars ($2.0 million) and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and Cushman & Wakefield, its employees and the Appraiser have no liability to such recipients. Cushman & Wakefield disclaims any and all liability to any party other than the party that retained Cushman & Wakefield to prepare the Report.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil’s load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site’s use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- Unless otherwise noted, we did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

Certification of Appraisal

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- An employee of C&W made a personal inspection of all the properties that are the subject of this report. Judson H. Cline, MAI, MRICS did not make a personal inspection of the property that is the subject of this report.
- Please refer to the individual report which specifies whether C&W has provided prior services regarding the subject properties within the past three years.
- The individuals noted below provided significant real property appraisal assistance to the persons signing this report. These individuals are licensed in the states where the properties are located, inspected the properties, performed all the due diligence and market research, developed the individual property values, and/or reviewed the individual reports. These individuals are as follows: Rob Taylor, MAI, MRICS, ASA.
- As of the date of this report, Judson H. Cline, MAI, MRICS has completed the continuing education program for Designated Members of the Appraisal Institute.

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INDEPENDENT FINANCIAL ADVISER'S LETTER

28 September 2018

The Independent Directors and Audit and Risk Committee
Keppel-KBS US REIT Management Pte. Ltd.
(as Manager of Keppel-KBS US Real Estate Investment Trust)
1 HarbourFront Avenue #18-01
Keppel Bay Tower
Singapore 098632

Perpetual (Asia) Limited
(as Trustee of Keppel-KBS US Real Estate Investment Trust)
8 Marina Boulevard
#05-02
Marina Bay Financial Centre
Singapore 018981

Dear Sirs

THE PROPOSED ACQUISITION OF 21 BUILDINGS LOCATED AT REDMOND, WASHINGTON, UNITED STATES OF AMERICA AT AN AGGREGATE PURCHASE CONSIDERATION OF US$169.4 MILLION FROM AN INTERESTED PERSON

*For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 28 September 2018 to the unitholders of Keppel-KBS US Real Estate Investment Trust (the "**Circular**").*

1. INTRODUCTION

This letter ("**Letter**") has been prepared for the purpose of compliance with Listing Rule 921(4) as well as for inclusion in the Circular to be issued by Keppel-KBS US REIT Management Pte. Ltd. (the "**Manager**"), in its capacity as the manager of Keppel-KBS US Real Estate Investment Trust ("**Keppel-KBS US REIT**"), in connection with, *inter alia*, has through its wholly-owned indirect subsidiary Keppel-KBS Westpark, LLC (the "**KORE Buyer LLC**") entered into a purchase and sale agreement (the "**Purchase and Sale Agreement**") with KBS SOR Westpark Portfolio, LLC (the **"Vendor**") on 24 September 2018 to acquire 21 buildings located at 8200-8644 154th Ave NE, Redmond, Washington, United States of America ("**US**") (the "**Westpark Portfolio**") (the "**Acquisition**").

1.1 Background

Keppel-KBS US REIT is a Singapore REIT established with the investment strategy of principally investing, directly or indirectly, in a diversified portfolio of income-producing commercial assets and real estate-related assets in the key growth markets of the United States.

The Manager is a joint venture held between the Sponsors, being Keppel Capital Holdings Pte. Ltd. ("**KC**") and KBS Pacific Advisors Pte. Ltd. ("**KPA**"), in equal share. The Vendor is a fund managed by KBS Capital Advisors LLC ("**KBS**"). As disclosed in the Keppel-KBS US REIT prospectus dated 2 November 2017, the co-founding partners of KBS include Peter McMillan III and Keith D. Hall, who are partners of KPA and together, indirectly hold a one-third stake of KBS. As KPA is a co-sponsor of Keppel-KBS US REIT, transactions between Keppel-KBS US REIT and any funds managed by KBS in the future will constitute interested person transactions under Chapter 9 of the Listing Manual. Therefore, the Acquisition will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as "interested party transaction" under Appendix 6 of the Code of Collective Investment Schemes ("**CIS Code**" and Appendix 6 of the CIS Code, the "**Property Funds Appendix**"), in respect of which the approval of Unitholders is required.

The total purchase consideration ("**Purchase Consideration**") of US$169.4 million equates to approximately 30.0% of the latest unaudited net tangible assets ("**NTA**") and the net asset value ("**NAV**") of Keppel-KBS US REIT as at 30 June 2018. As this value exceeds 5.0% of the NTA and the NAV of Keppel-KBS US REIT, the Manager will be seeking the approval of Unitholders by way of an Ordinary Resolution for the Acquisition, pursuant to Chapter 9 of the Listing Manual.

We, Deloitte & Touche Corporate Finance Pte Ltd ("**DTCF**"), have been appointed as independent financial adviser ("**IFA**") pursuant to Rule 921(4)(a) of the Listing Manual as well as to the Independent Directors of the Manager ("**Independent Directors**"), the Audit and Risk Committee of the Manager ("**Audit and Risk Committee**") and Perpetual Asia Limited, in its capacity as trustee of Keppel-KBS US REIT (the "**Trustee**") in respect of whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and its minority Unitholders under Rule 921(4)(a) of the Listing Manual as well as for inclusion in the Circular.

This letter, which sets out our evaluation for the Independent Directors, the Audit and Risk Committee and the Trustee in respect of this engagement under Rule 921(4)(a) of the Listing Manual as well as for inclusion in the Circular, is an integral part of the Circular.

2. TERMS OF REFERENCE

Our responsibility is to provide our opinion as to whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and its minority Unitholders.

We were neither a party to the negotiations entered into in relation to the Acquisition nor were we involved in the deliberations leading up to the decision on the part of the Manager to undertake the Acquisition.

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the Acquisition. All such evaluations, advice, judgements or comments remain the sole responsibility of the management of the Manager and their advisers. We have however, drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of Keppel-KBS US REIT. We do not express any view as to the price at which the Units may trade upon completion of the Acquisition nor on the future value, financial performance or condition of Keppel-KBS US REIT after the Acquisition.

It is also not within our terms of reference to compare the merits of the Acquisition to any alternative arrangements that were or may have been available to Keppel-KBS US REIT. Such comparison and consideration remain the responsibility of the Directors and their advisers.

In the course of our evaluation, we have held discussions with the management of the Manager and the Independent Valuers (as defined herein), and have considered the information contained in the Circular, publicly available information collated by us as well as information, both written and verbal, provided to us by the management. We have relied upon and assumed the accuracy of the relevant information, both written and verbal, provided to us by the aforesaid parties and have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness and adequacy of such information. We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty (whether express or implied) is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information. We have nonetheless made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

We have not made any independent evaluation or appraisal of the assets and liabilities (including, without limitation, the real properties) of Keppel-KBS US REIT or the Acquisition. We have been furnished with the valuation reports for the Westpark Portfolio prepared by Cushman & Wakefield of Washington, Inc. ("**Cushman**") and JLL Valuation & Advisory Services, LLC ("**JLL**") (collectively, the "**Independent Valuers**"). With respect to such reports, we are not experts and do not hold ourselves to be experts in the evaluation of the Westpark Portfolio concerned and have relied solely upon such reports.

Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on and our analysis of the information made available to us as at the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion, factors or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or factors or assumptions contained herein. Unitholders should take note of any announcements relevant to their considerations of the Acquisition which may be released by the Manager after the Latest Practicable Date.

We have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Unitholder. As the Unitholders will have different investment objectives, we advise the Independent Directors to recommend that any Unitholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax advisor or other professional advisors.

Our opinion in relation to the Acquisition as set out under paragraph 5 of this Letter should be considered in the context of the entirety of our advice. This letter is prepared for the purpose of compliance with Listing Rule 921(4)(a) as well as also for the benefit and use by the Trustee, Independent Directors and the Audit and Risk Committee of the Manager and will be incorporated as an Appendix to the Circular. The Manager may not reproduce, disseminate or quote this Letter or any part thereof for any purpose, other than for matters relating to the Acquisition, without our prior written consent in each instance.

3. INFORMATION ON THE ACQUISITION

3.1 Description of the Westpark Portfolio

The Westpark Portfolio consists of 21 buildings, totalling 781,966 sq ft of net lettable area ("**NLA**") over 41.3 acres. Located adjacent to downtown Redmond, Washington, the Westpark Portfolio is well situated for tenants' needs and provides access to the area's numerous amenities. The Westpark Portfolio includes three clusters of buildings:

(i) Westpark Business Park, which encompasses 14 two-story office buildings totalling 583,524 sq ft;

(ii) Redmond Center Court, which encompasses two industrial buildings totalling 77,510 sq ft; and

(iii) Pacific Business and Technology Center, which encompasses five office buildings totalling 120,932 sq ft.

The Westpark Portfolio is situated on grounds in a park-like setting with easy access to State Route 520/Interstate 405 and in close proximity to Redmond Town Center and Microsoft World Headquarters. The portfolio is located close to downtown Redmond, Marymoor Park, and Redmond Town Center. It is positioned on easy transit routes and at close proximity to the Redmond Transit Center.

3.2 Total Acquisition Cost and Valuation

As set out in paragraph 2.2 of the Circular, the estimated Total Acquisition Cost is currently estimated to be approximately US$175.7 million, comprising:

(i) the Purchase Consideration of US$169.4 million;

(ii) the acquisition fee of US$1.7 million payable in units of Keppel-KBS US REIT ("**Units**") to the Manager (the "**Acquisition Fee Units**"); 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$4.6 million[1].

The Purchase Consideration for the Acquisition was negotiated on a willing-buyer and willing-seller basis and is supported by independent valuations.

3.3 Method of Financing

The Manager intends to finance the Acquisition with the proceeds from an equity fund raising (the "**Equity Fund Raising**"), debt financing and internal cash resources.

The final decision regarding the proportion of the debt and equity to be employed to fund the Acquisition will be made by the Manager at the appropriate time, taking into account the then prevailing market conditions to provide overall distribution per Unit ("**DPU**") yield accretion to Unitholders while maintaining an optimum level of aggregate leverage.

3.4 Terms of the Purchase and Sale Agreement

On 24 September 2018, the KORE Buyer LLC entered into the Purchase and Sale Agreement with the Vendor to acquire the Westpark Portfolio.

As set out in paragraph 2.4 of the Circular, the principal terms of the Purchase and Sale Agreement include among others, the following:

(i) the Purchase and Sale Agreement is subject to conditions precedent, including but not limited to:

(a) Keppel-KBS US REIT obtaining Unitholders' approval for the Acquisition;

1 Such fees and expenses include debt issuance-related costs, due diligence costs, equity fund raising costs and acquisition costs such as legal expenses, expenses relating to the appointment of the IFA and other professional costs. The estimate of US$4.6 million is based on the assumption that the Equity Fund Raising comprises only a preferential offering of new units. If the Equity Fund Raising comprises a rights issue, the estimated expenses will be approximately US$5.6 million, increasing total cost of the Acquisition to US$176.7 million.

(b) the proceeds raised from the Equity Fund Raising, together with funds received by the KORE Buyer LLC in connection with any financing in connection with the acquisition of the Westpark Portfolio, being sufficient to pay the Purchase Consideration (and other closing costs);

(c) the Vendor's representations and warranties contained in the Purchase and Sale Agreement being true and correct in all material respects as of the date of the Purchase and Sale Agreement and as of the closing date; and

(d) the Vendor having performed its obligations under the Purchase and Sale Agreement;

(ii) the Title Company (as defined herein) shall at closing have issued and delivered to the KORE Buyer LLC, or shall have committed to issue and deliver to the KORE Buyer LLC, with respect to the Westpark Portfolio, a title insurance insuring the KORE Buyer LLC as owner of good, marketable and indefeasible fee simple legal title to the Westpark Portfolio;

(iii) the Purchase and Sale Agreement conveys the Westpark Portfolio "AS IS, WHERE IS". The KORE Buyer LLC's right to make a claim as a result of a breach of a representation or covenant by the Vendor will be subject to certain limitations, including a maximum aggregate cap on damages of up to US$2,500,000 and any claims shall be actionable and enforceable only if notice of such claim is given within 12 months after closing; and

(iv) the Vendor shall endeavor to secure and deliver to the KORE Buyer LLC by the closing date estoppel certificates[1] for all leases, tenancy agreements and other similiar occupancy agreements affecting the Westpark Portfolio as at the date of closing of the Purchase and Sale Agreement in which the Vendor has an interest in ("**Leases**"), and the KORE Buyer LLC may terminate the Purchase and Sale Agreement if the Vendor fails to deliver to the KORE Buyer LLC estoppel certificates substantially in the form attached to the Purchase and Sale Agreement executed by tenants under Leases covering at least 70% of the leased rental floor area of the Westpark Portfolio.

3.5 Free Rent Arrangement

3.5.1 Terms of the Free Rent Arrangement

On 10 August 2018, Oculus VR, Inc. ("**Oculus**") entered into three leases in relation to the Westpark Portfolio (the "**New Leases with Free Rent**"). Oculus has not yet commenced paying rent per the terms of the New Leases with Free Rent.

The "**Free Rent Arrangement**" comprises two components:

(i) **Period from Completion of Acquisition to Commencement of Lease:** Pursuant to the terms of the Purchase and Sale Agreement, the Vendor shall, from the date of closing of the Acquisition until the lease commencement dates, pay to the KORE Buyer LLC an amount equal to the agreed rental under the New Leases with Free Rent. The total amount of rental payable is US$145,390 (the "**Rent Shortfall Amount**"), with the major leases commencing in December 2018 and by May 2019 all the leases would have commenced. This amount is to compensate the KORE Buyer LLC for the period prior to the commencement of the leases.

1 The tenant estoppel certificates provide the KORE Buyer LLC with certain assurances by having tenants under leases covering at least 70% of the rental floor area of the Westpark Portfolio certify that, among others, the relevant tenant is the lessee under the relevant lease, such lease is in full force and effect, there is no default of the lease by the landlord and the tenant has no claim or demand against the landlord.

(ii) **Period after Commencement of Lease in relation to Rent Free Period:** In addition, these New Leases with Free Rent each contains three months of rent free period, and pursuant to the terms of the Purchase and Sale Agreement, unless the Vendor buys out[1] the free rent from Oculus, the Vendor shall pay to the KORE Buyer LLC an amount equal to the agreed rental under the New Leases with Free Rent. The total amount of free rent is US$463,058 (together with the Rent Shortfall Amount, the "**Relevant Amount**"). This amount is to compensate the KORE Buyer LLC for the period after the commencement of the leases during the rent free period of the leases.

3.5.2 Directors' opinion

The Independent Directors are of the view that the Free Rent Arrangement is on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and its minority Unitholders as (i) the Relevant Amount is determined based on the actual rental to be paid under the New Leases with Free Rent and (ii) the Free Rent Arrangement is to cover the period where payment of the rental has yet to commence notwithstanding the leases have been executed.

3.5.3 Independent valuations

It should be noted that the independent valuations of the Westpark Portfolio does not take into account the Free Rent Arrangement.

3.6 Property Management Agreement and Leasing Services Agreement

Upon completion of the Acquisition, property management services in respect of the Westpark Portfolio will be performed by Transwestern Commercial Services Washington, LLC, which is a third party property manager.

The property manager is entitled to be paid the following fees in relation to the Westpark Portfolio:

(i) a property management fee of 1.5% of the gross revenue income of the Westpark Portfolio; and

(ii) a construction supervision fee in connection with providing construction management services for certain construction projects with respect to the Westpark Portfolio as follows:

Cost of Improvements	Fee
Up to US$50,000	5% of total construction cost
US$50,001 to US$150,000	4% of total construction cost
US$150,001 to US$500,000	3% of total construction cost
US$500,001 and greater	2% of total construction cost

Upon completion of the Acquisition, leasing services in respect of the Westpark Portfolio will be performed by Jones Lang LaSalle, Inc., which is a third party leasing agent.

1 The term "buy out" refers to the Vendor negotiating with Oculus to vary the terms of the leases such that Oculus would pay rental when the leases commence and that there is no rent free period. For the avoidance of doubt, if the Vendor buys out the free rent, Oculus would start paying rent upon commencement of the lease but if the Vendor is not able to buy out the free rent it would pay the amount of US$463,058 (representing to total amount of rent payable during the rent free period) to Keppel-KBS US REIT.

The leasing agent is entitled to a leasing service commission for procuring leases with new tenants, which ranges from US$0.50 to US$1.00 per sq ft per year of the lease term for years 1 to 5 of the initial lease term and US$0.25 to US$0.50 per sq ft per year for years 6 to 10 of the lease term for the initial lease term.

4. EVALUATION OF THE ACQUISITION

In reaching our recommendation in respect of the above, we have given due consideration to, *inter alia*, the following factors:

(i) Rationale for and key benefits of the Acquisition;

(ii) Independent Valuations of the Westpark Portfolio;

(iii) The Occupancy Rate and WALE (by NLA) of the Westpark Portfolio as compared to Keppel-KBS US REIT's current portfolio of US properties;

(iv) Valuations of the Westpark Portfolio as compared to comparable transactions;

(v) Pro forma financial effects of the Acquisition; and

(vi) Other relevant considerations.

4.1 Rationale for and Key Benefits of the Acquisition

The Manager's rationale for the Acquisition is set out in paragraph 3 of the Circular. We recommend that the Independent Directors advise the Unitholders to read this information carefully.

We have reproduced below excerpts of this section in respect of the Acquisition:

"***3.1 Unique Opportunity to Acquire a Distinctive Freehold Portfolio***

3.1.1 Attractive suburban business campus

The Westpark Portfolio is a unique suburban business park concept which consists of 21 low-rise buildings, with 781,966 sq ft of net leasable area, spread over a 41.3 acre freehold campus. The buildings are designed to cater for multiple business uses including office and flex. The campus is in a beautiful park-like setting, surrounded by green space and neighbourhood parks, which provide valuable outdoor amenities for tenants.

The Westpark Portfolio was constructed between 1987 and 1992, and underwent extensive capital improvements following the Vendor's acquisition in February 2016. These projects include the conversion of underutilised space to an amenities centre, new signage and painting through the campus, the addition of a full-service restaurant/bar, the renovation of the common area landscape and the exterior refurbishment of some of the building.

The successful repositioning of the Westpark Portfolio has garnered strong leasing traction amongst technology and professional services companies and attracted higher quality tenants, which includes Oculus, a major technology tenant.

The Westpark Portfolio is divided into three clusters of buildings which cater to multiple business uses.

Building cluster	***Number of buildings***	***Net Leasable Area (sq ft)***	***Primary Use***
Westpark Business Park	*14*	*583,524*	*Office*
Redmond Center Court	*2*	*77,510*	*Industrial*
Pacific Business and Technology Center	*5*	*120,932*	*Office*
Total	***21***	***781,966***	
Total Occupancy[(1)]	***97.7%***		

Note:

(1) The lease with Oculus was entered into on 10 August 2018. The occupancy rate is computed based on the assumption that the lease with Oculus was in place as at 30 June 2018.

The Westpark Portfolio is located in a cluster of suburban campuses that are characterised by a significant quantity of high-technology and incubator office/warehouse space in addition to traditional office space. The suburban business campus layout provides its typical appeal and amenities which attract a wide variety of tenants involved in trade sectors such as technology, engineering, medical and healthcare as well as professional services.

The ability to have office and complementary spaces such as technology development and flex spaces within one business campus increases the appeal to tenants looking to enter or expand their presence in the submarket. The warehouse space within the Westpark Portfolio provides technology and professional services tenants who require storage for their equipment or inventory (e.g. technology-based self-training companies, purchasing and distribution businesses) as it provides them the convenience and facilitates distribution.

The acquisition of the Westpark Portfolio is in line with the Manager's strategy to acquire distinctive assets which cater to a diverse tenant profile and add resilience to the portfolio.

3.1.2 Strategic location with good accessibility

The Westpark Portfolio is located in the Redmond submarket in the centre of Seattle's Eastside suburban office market, which is a choice location for internet and technology companies.

The property is located approximately 2.5 miles north of the Microsoft World's headquarters, and benefits from this proximity as sub-contractors to Microsoft Corporation, technology companies, and companies supporting Microsoft Corporation's operations prefer to be located near them. The Westpark Portfolio enjoys good accessibility to the key commercial areas in Seattle-Bellevue such as the CBDs in Bellevue and Seattle. The business campus site provides easy access to State Route 520, which is one of the major highways in the Seattle metropolitan area.

The proximity to Redmond and good access to major transportation corridors explain the diverse makeup of the area, being attractive to residents, employees and businesses.

3.2 Strengthen Presence in one of the Strongest Office Markets and Technology Hubs in the US

3.2.1 Deepen Keppel-KBS US REIT's exposure to the high growth Seattle-Bellevue market

*The acquisition of the Westpark Portfolio will mark the third asset in Keppel-KBS US REIT's portfolio in the Seattle-Tacoma-Bellevue Metropolitan Statistical Area ("**Seattle MSA**"), including the Plaza Buildings and Bellevue Technology Center.*

Adding the Westpark Portfolio to Keppel-KBS US REIT's existing portfolio will allow Keppel-KBS US REIT to further capitalise on the positive leasing demand from the technology and professional services sectors, enjoy the continued rent growth in one of the strongest office markets in the U.S., as well as enhance Keppel-KBS US REIT's exposure to the key growth sectors in the U.S.

3.2.2 Benefit from the strong demand drivers of the Redmond submarket

Redmond is a submarket within the Eastside office market in the Seattle MSA, which has benefitted from tremendous leasing demand in recent years due to the fast-growing technology sector, limited new high-quality office inventory, excellent retail and amenity base, and strong employment growth. Redmond's business friendly regime, which includes zero business tax to corporations, helps to attract companies from the high-technology industries into the market. The major presence of Microsoft Corporation and other established technology companies such as Nintendo of America helps to attract technology talents to move to this submarket, ensuring these companies of a strong and sizeable talent pool.

*According to Cushman & Wakefield Western, Inc. (the "**Independent Market Research Consultant**"), the employment growth in the Seattle MSA continues to outpace the nation. The area experienced stronger than the average national employment growth rate between 2007 and 2017 and the growth is expected to remain strong going forward.*

The Seattle MSA has positioned itself to be the fastest growing technology hub in the U.S. and has seen nearly an 11% increase in its share of tech-job openings in 2017 compared to 2016[1], which far surpassed any other major technology hubs in U.S.. Seattle MSA houses headquarters of several technology giants including Amazon, Nintendo of America and Microsoft Corporation, which is located just 2.5 miles south of the Westpark Portfolio.

As one of the largest components of the nation's economy, contributing 9.2% of the U.S. GDP in 2017[2], the rapid growth momentum of the technology sector will bode well for technological markets like Seattle MSA, whose office market has registered strong leasing demand due to aggressive growth plans by technology companies such as Amazon, Twitter and Facebook.

1 Source: JLL Research

2 Source: CompTIA Research

3.2.3 *Positive fundamentals for continued rental growth*

Overall vacancy in the Eastside Suburban office market has seen a downward trend, contributed by improving economic conditions and strong employment growth. As at first quarter 2018, overall vacancy rate was at a low of 9.1% [1], supported by strong leasing activity and a relative lack of speculative construction.

At the same time, asking rents in the Eastside Suburban market have historically exceeded the asking rents of other suburban office markets in the Seattle area. The overall average asking rent for space in the Eastside Suburban office market increased US$0.90 per sq ft year-over-year and US$0.34 per sq ft from the previous quarter to US$32.59 per sq ft in first quarter 2018. The relatively low inventory of available office space and strong demand in the Seattle-Bellevue area should encourage asking rent growth in the near term, which may boost asking rents to surpass pre-recession highs.

Redmond is one of the Eastside's most supply-constrained markets, with limited sites available for competitive new development. Most of the recent construction activities within the Redmond submarket and the wider Eastside office market have been mainly residential in response to the positive population growth arising from international and domestic talent migration.

Eastside Office Submarkets
First Quarter 2018

Submarket	Inventory	Overall Vacancy Rate	YTD Const. Completions	Under Construction	YTD Net Absorption	Class A Rent	Class B Rent	Overall Avg. Asking Rent	YTD Leasing
405 Corridor	2,351,494	6.2%	0	0	21,388	$36.55	$30.56	$29.41	43,639
520 Corridor	3,196,143	7.1%	0	0	16,445	$35.82	$32.04	$35.00	79,629
I-90 Corridor	6,716,041	10.3%	0	0	(74,708)	$36.61	$32.64	$34.02	284,317
Bel-Red	1,212,290	5.3%	0	0	(221)	N/A	$31.87	$28.90	79,892
Redmond	2,543,961	6.7%	0	0	194,426	$36.77	$32.01	$32.82	137,710
Kirkland	2,308,602	4.2%	0	660,000	57,817	$44.20	$27.69	$33.32	65,245
Bothell/Woodinville	2,596,230	19.1%	0	0	151,488	$32.28	$29.54	$30.72	133,015

Source: Cushman & Wakefield Research; complied by C&W V&A

The favourable market conditions would bode well for the Westpark Portfolio, which has a well-spread lease expiry that will allow the property to benefit from higher rental rates when current leases with lower rental rates are marked to market. According to the Independent Market Research Consultant, vacancy is expected to stabilise for the submarket over the next several years but rental rates are expected to continue to increase. Together with the strong office fundamentals and built-in rental escalation between 2-3% per annum for 100% of the leases, these provide strong growth momentum for the portfolio.

1 According to Cushman & Wakefield Western, Inc.

3.3 Diversification of Portfolio Tenant Base with Increased Exposure to the Technology Sector

The Westpark Portfolio is leased to a diversified tenant base, concentrated mainly in the technology and professional services sectors. The relatively high number of tenants is due to the presence of technology start-ups and small and medium-sized enterprises, as well as boutique professional services firms operated by business owners residing in nearby residential neighbourhoods. Due to the diversified tenant base, there is limited tenant concentration within the Westpark Portfolio. The largest tenant of the Westpark Portfolio is Oculus, which will occupy approximately 12.6% of the total NLA. Oculus is an American technology company that specialises in virtual reality hardware and software products. It was founded in 2012 and was acquired by Facebook, Inc. in 2014 for approximately US$2.3 billion.

Apart from Oculus which has committed to approximately 12.6% of Westpark Portfolio's NLA, none of the remaining tenants lease more than 5.0% of Westpark Portfolio's NLA or contribute more than 5.0% of Westpark Portfolio's CRI.

Top 10 Tenants (by NLA) of the Westpark Portfolio as at 30 June 2018

Tenant	Sector	Lease Term Remaining	% of NLA	% of CRI
Oculus VR, Inc.	Technology	7.3 years	12.6%	15.6%
Microsurgical Technology, Inc.	Medical and Healthcare	1.9 years	4.7%	3.4%
Helion Energy, Inc.	Technology	2.1 years	4.0%	3.2%
Echonous	Technology	8.0 years	3.9%	4.6%
Micronics, Inc.	Medical and Healthcare	1.4 years	3.3%	3.4%
Wildlife Computers, Inc.	Technology	9.3 years	3.0%	3.6%
Seattle Aero, LLC	Engineering	3.6 years	2.8%	2.4%
Majiq, Inc	Technology	6.6 years	2.7%	3.2%
Xtreme Consulting Group	Professional Services	1.8 years	2.7%	2.8%
Kone Inc.	Engineering	7.9 years	2.0%	1.9%
Total		**TOP 10 WALE (by NLA):** 5.3 years	**41.7%**	**44.1%**

Furthermore, the Acquisition will increase the exposure to the fast-growing technology sector in Keppel-KBS US REIT's portfolio from approximately 21.3% as at 30 June 2018 to approximately 24.3% by NLA following the completion of the Acquisition.

3.4 *Enlarged and Diversified Portfolio Positioned for Long Term Growth*

3.4.1 *Strengthen portfolio diversification*

Upon completion of the Acquisition, Keppel-KBS US REIT's aggregate valuation will increase by 20.8% from US$816.1 million to US$985.5 million and NLA will increase by 24.2% from 3,225,739 sq ft to 4,007,705 sq ft.

The Acquisition will allow Keppel-KBS US REIT to achieve diversification to its portfolio as it reduces the portfolio's largest asset exposure (based on valuation), the Plaza Buildings, from 29.7% to 24.6% and increases the number of tenants from 339 to 441.

Following the Acquisition, no single property will contribute more than 25.0% and 20.0% of Keppel-KBS US REIT's Enlarged Portfolio's valuation and CRI respectively.

3.4.2 *Reduces concentration risk in the top ten tenants*

After the Acquisition, the top 10 tenants' aggregate contribution to the portfolio's CRI for 30 June 2018 will decrease from 22.8% to 20.5% on a pro-forma basis.

The revised top 10 tenants for the enlarged portfolio would be as follows:

Tenant	***Asset***	***% of CRI***
Ball Aerospace & Tech Corp	*Westmoor Center*	*3.0%*
Oculus VR, Inc.	*Westpark Portfolio*	*2.5%*
Zimmer Biomet Spine, Inc.	*Westmoor Center*	*2.5%*
Unigard Insurance Company	*Bellevue Technology Center*	*2.1%*
US Bank National Association	*The Plaza Buildings*	*2.0%*
Blucora, Inc.	*The Plaza Buildings*	*1.9%*
Health Care Service Corp	*1800 West Loop South*	*1.9%*
Reed Group, Ltd	*Westmoor Center*	*1.7%*
Regus PLC	*Bellevue Technology Center*	*1.5%*
Nintex USA, LLC	*The Plaza Buildings*	*1.4%*
	Total:	***20.5%***

3.5 Accretive Acquisition at Discount to Independent Valuations

3.5.1 Purchase price represents an attractive discount from appraised values

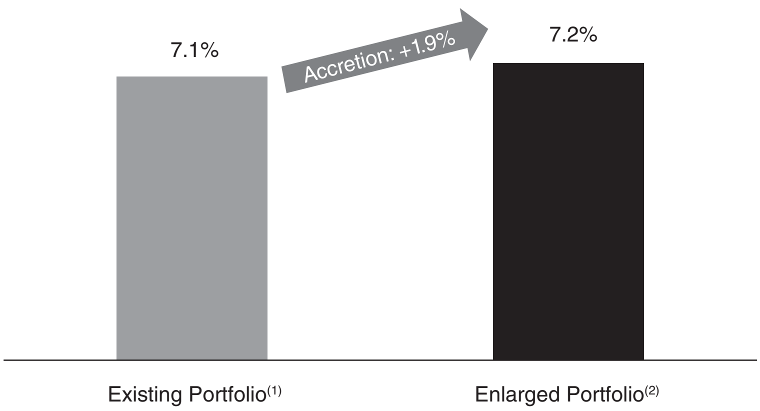
The agreed-upon purchase price of the Westpark Portfolio of US$169.4 million represents a discount of approximately 4.8% to Cushman's aggregate valuation of US$178.0 million and a discount of approximately 6.6% to JLL's aggregate valuation of US$181.4 million. The acquisition of the Westpark Portfolio at an attractive discount from the independent appraised values represents good value for Unitholders.

3.5.2 Accretive acquisition creating value for unitholders

Based on the proposed method of financing, the Acquisition is expected to be DPU yield accretive on a pro-forma basis. The chart below illustrates the pro forma impact on Keppel-KBS US REIT's annualised DPU yield for the period from 9 November 2017 (the date of listing of Keppel-KBS US REIT) to 30 June 2018 in relation to the Existing Portfolio and the Enlarged Portfolio respectively.

For Illustration Purpose Only

Pro Forma DPU Yield (Annualised)



Notes:

(1) Annualised DPU yield is computed based on the illustrative unit price of US$0.84.

(2) The calculation of annualised DPU yield assumes that (a) the Westpark Portfolio has a portfolio occupancy of 97.7% for the period between 9 November 2017 and 30 June 2018 and all leases, whether existing or committed as at the Latest Practicable Date, were in place since 9 November 2017, and (b) the Equity Fund Raising comprises only the Rights Issue, with an illustrative issue price of US$0.59 to raise gross proceeds of approximately US$102.3 million. Annualised DPU yield is estimated to be approximately 7.2% based on the illustrative theoretical ex-rights price of US$0.7854. For illustrative purposes only, if the Equity Fund Raising comprises only the Preferential Offering, with an illustrative issue price of US$0.78 to raise gross proceeds of approximately US$101.3 million, annualised DPU yield is estimated to be approximately 7.2% based on the illustrative unit price of US$0.84. Please refer to Section 5.1 Pro Forma Financial Effects of the Acquisition for more details."

4.2 Independent Valuations of the Westpark Portfolio

As set out in paragraph 2 of this Letter, Cushman and JLL were commissioned by the Manager and the Trustee respectively to assess the market value of the Westpark Portfolio.

The following table sets out the appraised values of the Westpark Portfolio, the respective dates of such appraisal and the Purchase Consideration:

Appraised Value		Purchase Consideration (US$ million)
By Cushman (US$ million)	By JLL (US$ million)	
178.0	181.4	169.4

We note that the Purchase Consideration of Westpark Portfolio at US$169.4 million represents a discount of 4.8% to Cushman's appraised value of US$178.0 million and a discount of 6.6% to JLL's appraised value of US$181.4 million.

4.2.1 The Valuation Approaches and Assumptions Adopted by the Independent Valuers

We noted that in arriving at the respective market values, both Independent Valuers have primarily adopted the income capitalisation approach in their respective valuations. We set out below a brief summary of the valuation approaches adopted by each of the Independent Valuers:

Valuation Approach and Assumptions	Cushman	JLL

Valuation Approach	• Income capitalisation approach
	  • Discounted cash flow analysis
	  • Direct capitalization analysis
	• Sales comparison approach (secondary consideration)
		• Income capitalisation approach
		  • Discounted cash flow analysis
		  • Direct capitalization analysis
		• Sales comparison approach (secondary consideration)

Key Considerations for the income projections	• In arriving at the 11-year cash flow forecast based on 10-year investment holding period, the following have been considered:
	  • Gross rental income based on existing contract terms with market leasing assumptions applied for renewal and absorption of tenants
	  • Market lease commissions in accordance with local market standards
	  • Market rent based on recent leasing activity at subject property and comparables
		• In arriving at the 11-year cash flow forecast based on 10-year investment holding period, the following have been considered:
		  • Gross rental income based on existing contract terms with consideration of current market condition and assumptions of market participants concerning future trends
		  • Market lease commissions and renewals are based on market assumptions
		  • Projected annual average rent growth of 3.00%

Valuation Approach and Assumptions	Cushman	JLL

	• Projected annual average rent growth of 3.00%
	• Operating expenses analysed based on the past performance
	• Replacement reserve of US$0.10 per sq ft
	• Two scenarios were modelled:
	  • Market value as is to account for the current below market occupancy
	  • Prospective market value for upon stabilization scenario
		• Other income and operating expenses based normalized past performance
		• Replacement reserve of US$0.10 per sq ft

Market leasing assumptions	• Portfolio occupancy – 95.0%	• Portfolio occupancy – 95.0%
	Office • Market Rent – $20.00 per sq ft • Rent escalation – 3.0% p.a. • Renewal probability – 75.0%	Office • Market Rent – $20.00 per sq ft • Rent escalation – 3.0% p.a. • Renewal probability – 75.0%
	Flex Warehouse • Market Rent – $10.00 per sq ft • Rent escalation – 3.0% p.a. • Renewal probability – 75.0%	Flex Warehouse • Market Rent – $10.50 per sq ft • Rent escalation – 3.0% p.a. • Renewal probability – 75.0%
Discount rates adopted	• 7.50%	• 7.50%
Capitalisation rates	• Capitalisation rate – 6.25% • Terminal capitalisation rate – 6.75%	• Capitalisation rate – 6.00% • Terminal capitalisation rate – 6.75%

Key Considerations for the discount rates and capitalisation rates	• For discount rates, Cushman has considered transaction data and investor surveys including the PwC Real Estate Investor Survey
	• Capitalisation rate is determined using comparable sales, investor surveys including PwC Real Estate Investor Survey and conversation with market participants
	  • To take into account the current below-market occupancy, Cushman incorporated a lease up cost consisting of cash flow differentials and rent abatements
		• For discount rates, JLL relied on investor surveys including PwC Real Estate Investor survey, discussions with market participants
		• Capitalisation rate is determined using comparable sales and investor surveys including PwC Real Estate Investor Survey and office investor surveys
		  • To take into account the current below-market occupancy, JLL incorporated a lease up cost and entrepreneurial profit into its adjustments

Source: Valuation reports from the Independent Valuers

Based on our discussion with the Independent Valuers, we noted that similar properties in Redmond, Washington area are typically bought and sold in the open market based on income capitalization or anticipated yield. As such, principal emphasis is placed on the income approach and supported with the sales comparison approach.

As such, we are of the view that the income approaches as adopted by the Independent Valuers are acceptable methods of valuation, supported by:

- reasonably defined stream of rental income that forms the projected cash flows; and
- discount rates that are in line with the market norms.

We have made reasonable enquiries and have exercised our professional judgment in reviewing the information contained in the respective valuation reports. In our review, we found the information contained therein to be reasonable.

4.3 The Occupancy Rate and WALE (by NLA) of the Westpark Portfolio as compared to Keppel-KBS US REIT's current portfolio of US properties

Keppel-KBS US REIT's current property portfolio comprises 11 office properties located in key markets of the US. As such, it is relevant to compare the Westpark Portfolio to the current US properties within the Existing Portfolio. In our evaluation, we compared the occupancy rates and WALE (by NLA) of the Westpark Portfolio as at 30 June 2018 to the Existing Portfolio of Keppel-KBS US REIT respectively.

We also recognise that the US properties in the Existing Portfolio are not identical to the Property in terms of building size and design, location by city and sub market, tenant composition, operating history, future prospects and other relevant criteria. Accordingly, the Independent Directors, the Audit and Risk Committee and the Trustee should note that any comparison made with respect to the US properties in the Existing Portfolio serves as an illustrative guide only.

The table below sets out the selected information on the Westpark Portfolio, Existing Portfolio and the Enlarged Portfolio[1] as at 30 June 2018:

Total/Weighted Average	The Westpark Portfolio	Existing Portfolio	Enlarged Portfolio[1]
NLA (sq ft)	781,966	3,225,739	4,007,705
Number of Tenants	102	339	441
Committed Occupancy (%)	97.7[2]	90.3	91.8
WALE by NLA (Years)	4.0	3.7	3.8
Valuation (US$ million)	169.4[3]	816.1	985.5

Source: Circular

1 All the figures relating to the Enlarged Portfolio are assumed on a stabilised basis of the Westpark Portfolio unless otherwise stated.

2 The lease with Oculus was entered into on 10 August 2018. The occupancy rate of the Westpark Portfolio is computed based on the assumption that the lease with Oculus was in place as at 30 June 2018.

3 Valuation of the Westpark Portfolio is based on the Purchase Consideration.

We note that:

(i) The committed occupancy of the Westpark Portfolio is higher than the committed occupancy rate of the Existing Portfolio; and

(ii) The WALE by NLA of the Westpark Portfolio is slightly higher than the Existing Portfolio.

4.4 Valuation of the Westpark Portfolio as Compared to Comparable Transactions

We have also considered comparable transactions that are broadly comparable to the Property ("**Comparable Transactions**"). We have selected Comparable Transactions based upon the quality and design, age and condition, location and accessibility, occupancy rate, number of stories, market risks and other relevant criteria. However, we recognised that the properties which are the subjects of the Comparable Transactions may differ from the Westpark Portfolio in terms of the aforementioned criteria.

Additionally, it should be noted that the sale price per sq ft of NRA fluctuates over time depending on, among other things, demand and supply situations and the economic climate.

For the above reasons, while the Comparable Transactions taken as a whole may provide a broad and indicative benchmark for assessing the Acquisition, care has to be taken in the selection and use of any individual data point for the same purpose. This is further stressed by the Independent Valuers that the market data is used only as a cross check given that the Appraised Values of the Westpark Portfolio are driven primarily by the income approach.

Accordingly, the Independent Directors, the Audit and Risk Committee and the Trustee should note that any comparison made with respect to the Comparable Transactions serve as an illustrative guide only.

Property/ Location	Transaction Date	Property Type	Sale Price (US$ M)	Year Built	NLA (SF)	No. of Buildings	Occupancy Rate	Price per sq ft of NLA (US$)
Daytona Laguna, 15001 NE 36th St, Redmond	June 2018	Class B	250.0	1960-2002	724,950	9	95%	345
Oakhurst Center, 14335-14475 NE 24th St, Bellevue	May 2018	Class B	45.4	1985	145,578	2	79%	312
Redmond Junction at Bear Creek, 17411-17425 NE Union Hill Rd, Redmond	Nov 2017	Class B	38.5	1988 & 2006	167,156	5	84%	231
Redmond East Business Campus, 6222, 6244 & 6464 185th Avenue NE, Redmond	Oct 2017	Class B	39.3	1992 & 1997	178,769	3	96%	220
West Willows Technology Center, 14710-14728 NE 87th Street, Redmond	July 2017	Class B	33.8	1984	160,437	5	97%	211
							High	345
							Low	211
							Average	263
Westpark Business Park 154th Avenue NE, Redmond, King County		Class B	169.4	1986-1992	781,966	21	Committed[1]: 97.7%	**217**

Sources: Public searches, the Manager

1 The lease with Oculus was entered into on 10 August 2018. The occupancy rate of the Westpark Portfolio is computed based on the assumption that the lease with Oculus was in place as at 30 June 2018.

Based on the above analysis, we note that the price per sq ft of NLA of the Westpark Portfolio is below the average and high price per sq ft of NLA of the Comparable Transactions. While all of the properties in the Comparable Transactions differ from the Westpark Portfolio, one should note that Daytona Laguna, 15001 NE 36th St, Redmond, is a closer comparable due to its transaction date, amount of NLA, no. of buildings and occupancy rate. We also note that the transaction price for Daytona Laguna on a sq ft basis is 59% higher than that of the Purchase Consideration.

One should note that the list of Comparable Transactions is not exhaustive given that there are numerous other transactions that took place in the period under consideration whereby the information is not made publicly available. Furthermore, compared to the Westpark Portfolio, the Comparable Transactions also vary in terms of size and design, building age, location, accessibility and operating history. Hence, the above comparison serves as an illustrative guide only.

Further caveats should be made by the knowledge that the Westpark Portfolio differs from the Comparable Transactions in aspects such as size, transaction timing, market risks and other relevant factors. For this reason, the comparative analysis serves as an illustrative guide and is only one of the factors considered by us in our evaluation.

4.5 Pro Forma Financial Effects of the Acquisition

The pro forma financial effects of the Acquisition are set out in paragraph 5 of the Circular. We recommend the Independent Directors to advise the Unitholders to read this information carefully.

We set out below the following pro forma financial analysis of the Acquisition that is prepared for illustrative purposes only.

Pro Forma Financial Effects (9 November 2017 to 30 June 2018)			
	Before the Acquisition	After the Acquisition[(1)]	
		Preferential Offering Scenario[(2)]	Rights Issue Scenario[(3)]
DPU (US cents)	3.82	3.86	3.64
Annualised DPU yield (%)	7.1[(4)]	7.2[(5)]	7.2[(6)]
NAV represented by Unitholders' fund per Unit (US$)	0.89	0.88[(7)]	0.83[(8)]

Source: Circular

Notes:

(1) The figures set out are purely for illustrative purposes only and depending on the market conditions, the proportion of debt and equity funding may differ which may in turn affect the financial effects of the Acquisition.

(2) Assuming that the Equity Fund Raising comprises the Preferential Offering at an illustrative issue price of US$0.78 to raise gross proceeds of approximately US$101.3 million ("the "**Preferential Offering Scenario**").

(3) Assuming that the Equity Fund Raising comprises the Rights Issue at an illustrative issue price of US$0.59 to raise gross proceeds of approximately US$102.3 million (the "**Rights Issue Scenario**").

(4) Annualised DPU yield is computed based on the illustrative unit price of US$0.84.

(5) Annualised DPU yield is computed based on the illustrative unit price of US$0.84.

(6) Annualised DPU is computed based on the illustrative theoretical ex-rights price of US$0.7854.

(7) The total number of Units at the end of the period used in computing the NAV per Unit comprises 630.2 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 129.8 million New Units issued under the Preferential Offering Scenario and (b) approximately US$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US$0.78.

(8) The total number of Units at the end of the period used in computing the NAV per Unit comprises 630.2 million Units in issue for the period between 9 November 2017 and 30 June 2018 as well as (a) approximately 173.3 million New Units issued under the Rights Issue Scenario and (b) approximately US$1.7 million acquisition fee paid in Acquisition Fee Units at the illustrative issue price of US$0.59.

As illustrated in the table above, we note that:

Preferential Offering Scenario

(a) The Acquisition is DPU accretive and will increase the annualised DPU of Keppel-KBS US REIT by 1.0%;

(b) The Acquisition is DPU yield accretive and will increase the annualised DPU yield by 1.0%; and

(c) The NAV per Unit will be lower at US$0.88 after the issuance of approximately 129.8 million New Units in connection with the Equity Fund Raising and approximately US$1.7 million Acquisition Fee paid in Acquisition Fee Units at the illustrative issue price of US$0.78.

Rights Issue Scenario

(a) The Acquisition is DPU dilutive and will decrease the annualised DPU of Keppel-KBS US REIT by 4.7%;

(b) The Acquisition is DPU yield accretive and will increase the annualised DPU yield by 1.9%; and

(c) The NAV per Unit will be lower at US$0.83 after the issuance of approximately 173.3 million New Units in connection with the Equity Fund Raising and approximately US$1.7 million Acquisition Fee paid in Acquisition Fee Units at the illustrative issue price of US$0.59.

4.6 Other Relevant Considerations

4.6.1 Diversification of Tenant Base and Portfolio

The full text of the increase in diversification of the Existing Portfolio is set out in paragraph 3.3 and 3.4 of the Circular. **We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.**

We note the following salient points:

(i) The Westpark Portfolio is expected to contribute positively to the Existing Portfolio's tenant base with increased exposure to the fast-growing technology sector;

(ii) The Acquisition will allow Keppel-KBS US REIT to achieve diversification to its portfolio as it reduces the portfolio's largest asset exposure (based on valuation), the Plaza Buildings, from 29.7% to 24.6% and no single property will contribute more than 25.0% and 20.0% of Keppel-KBS US REIT's Enlarged Portfolio's[1] valuation and CRI respectively.

1 All the figures relating to the Enlarged Portfolio are assumed on a stabilised basis of the Westpark Portfolio unless otherwise stated.

4.6.2 Free Rent Arrangement

The key terms of the Free Rent Arrangement are set out in paragraph 2.5 of the Circular. **We recommend that the Independent Directors advise Unitholders to read this section of the Circular carefully.**

We note that the Free Rent Arrangement will provide with Keppel-KBS US REIT with rental income of the level of the Committed Occupancy upon the date of closing. We note that the Independent Directors are of the view that the Free Rent Arrangement is on normal commercial terms and is not prejudicial to the interests of Keppel-KBS US REIT and its minority Unitholders.

5. OUR RECOMMENDATIONS

Having regard to our terms of reference, in arriving at our recommendations, we have considered various factors deemed pertinent and to have significant bearing on our assessment of the Acquisition. We have carefully considered the factors deemed as essential, and balanced them before reaching our opinion. Accordingly, it is important that this Letter, in particular, the considerations and information we have taken into account, be read in its entirety.

Our opinion is based solely on information made available to us as at the date of this Letter. The principal factors that we have taken into consideration in forming our opinion pertaining to the Acquisition are summarised as below for the various different parts:

- The rationale for and key benefits of the Acquisition;

- The Purchase Consideration for the Westpark Portfolio is below the respective independent valuations as determined by the Independent Valuers;

- The Committed Occupancy and WALE (by NLA) of the Westpark Portfolio is higher compared to the Existing Portfolio;

- The price per sq ft of NLA of the Westpark Portfolio is below the high and average price per sq ft of NLA of the Comparable Transactions; and

- Under the Right Issue Scenario, the Acquisition is yield accretive based on the pro forma DPU yield of the Enlarged Portfolio of approximately 7.2% and is DPU dilutive in connection with the New Units issued under the Rights Issue and acquisition fee paid in Acquisition Fee Units.

- Under the Preferential Offering Scenario, the Acquisition is yield accretive and will improve the annualised DPU yield to Unitholders by 1.0% based on the pro forma DPU yield of the Enlarged Portfolio of approximately 7.2%.

Having considered the above and subject to the assumptions and qualifications set out herein, we are of the opinion that the Acquisition is on normal commercial terms and is not prejudicial to Keppel-KBS US REIT and its minority Unitholders.

We advise the Independent Directors to recommend that Unitholders vote in favour of the Acquisition to be proposed at the EGM, the notice of which is set out in the Circular. However, we wish to highlight that each Unitholder may have different investment objectives and considerations and hence should seek their own professional advice.

Our recommendations are made in compliance with Listing Rule 921(4)(a) requirements as well as also addressed to the Independent Directors, the Audit and Risk Committee and the Trustee for their benefit, in connection with and for the purposes of their consideration of the Acquisition. Any recommendations made by the Independent Directors in respect of the Acquisition shall remain their responsibility.

Our recommendations are governed by the laws of Singapore and are strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully,
For and on behalf of
Deloitte & Touche Corporate Finance Pte Ltd

Ng Jiak See
Executive Director

INDEPENDENT MARKET RESEARCH REPORT

INDEPENDENT MARKET RESEARCH REPORT

An independent review of office markets
As of June 30, 2018

United States Office Market

and

The Seattle/Bellevue Market

Prepared For:

KEPPEL-KBS US REIT MANAGEMENT PTE. LTD. (AS MANAGER OF KEPPEL-KBS US REIT) AND PERPETUAL (ASIA) LIMITED (IN ITS CAPACITY AS TRUSTEE OF KEPPEL-KBS US REIT)

Prepared By:

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Cushman & Wakefield File ID: 18-38032-900543-001

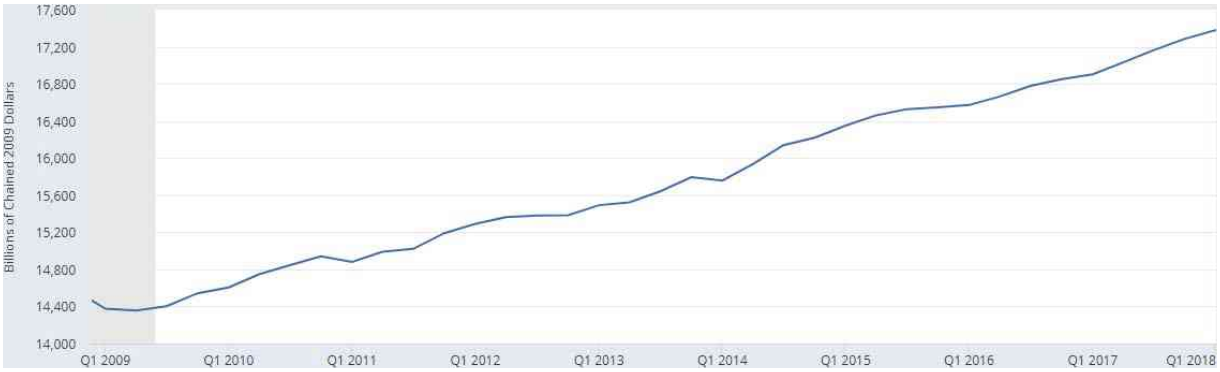
Table of Contents

National Overview – United States of America

Overview

U.S. economic growth slowed slightly in the first quarter of 2018 as consumers paused. Overall U.S. gross domestic product (GDP) increased at a 2.3% annual rate for the quarter, down from the average of 3.0% in each of the preceding three quarters. U.S. GDP growth has tended to slow in the first quarter in recent years despite seasonal adjustment, so this moderation in growth is not a cause for concern. Consumer spending did slow abruptly in the first quarter, rising at an inflation-adjusted 1.1% annual rate, the slowest increase in nearly five years, since the second quarter of 2013. A decline in motor vehicle sales was the main reason for the slowdown. But it appears consumers were just taking a breather after a very strong increase in Q4-17. While spending growth was moderate, income grew strongly. Real (inflation-adjusted) after tax income increased at a solid 3.4%, the fastest pace since Q2-2015. In addition, consumers are expected to feel the effects of the tax cut passed in December. This combination of income growth and lower taxes gives households the wherewithal to raise spending in the months ahead.

The following graph displays historical and projected U.S. Real GDP percent change (annualized) from 2009 through current:



Source: Bureau of Labor Statistics

Other indicators of economic performance and sentiment remain strong. Both consumers and businesses remain very optimistic about the economy. During the first quarter consumer confidence as measured by the Conference Board reached its highest level since the dot com boom in 2000. Consumers believe the economy is strong and jobs are plentiful. Businesses are also optimistic as the full impact of the tax law changes could be seen in strong profit growth.

The property markets have downshifted most recently. While still positive, absorption levels trended lower in Q1 2018 compared to a year-ago. Retail and office markets have seen the fastest deceleration, off some 30-40%, while industrial and multifamily markets are holding up better but still slowing. This most likely reflects the lagged relationship between commercial real estate (CRE) and the economy. Businesses pumped the brakes in the fourth quarter of 2016, slowing hiring, as they digested the election results along with the sharp rise in treasury yields. Since then, interest rates have settled back down, businesses have generally continued to post profits, and confidence has soared. The demand metrics for commercial real estate space will soon pull out of their latest slump. Investment sales also cooled off in Q1 2017. But with capital at record levels and volatility trending towards fearless levels, investment sales, too, are poised for a rebound.

Business Trends

The U.S. economy entered 2018 with very strong fundamentals and a lot of momentum. The latest economic data— on consumer spending, global trade, various manufacturing indices, and other metrics—send a clear signal that the U.S. economy is poised for greater growth. In addition, the labor market continue to crank out new jobs. Last year, the U.S. economy created 2.1 million net new nonfarm payroll jobs, more than 700,000 of which were in office-using sectors. The unemployment rate ended 2017 at 4.1%.Significantly, the economic expansion also became more broad-based in 2017, with both emerging economies and advanced economies growing in unison. Nearly 80% of the world is now sharing in this acceleration. The Baltic Dry Index—a reliable proxy of global trade—is hovering at its highest level in three years.

Source: The Conference Board, U.S. Bureau of Economic Analysis, Cushman & Wakefield Research

This optimism is most evident in the measures of confidence. Both consumers and businesses are feeling as positive about the economy as they have in nearly 20 years. The Conference Board’s Consumer Confidence Index has been hovering in the 120 range since last summer. The National Federation of Independent Business’s (NFIB) Optimism Index confirms similar upbeat sentiment.

Confidence is a critically important economic indicator for the commercial real estate industry. When consumers are confident, they spend more. That, in turn, boosts business profits, which creates jobs, ultimately translating into demand for commercial real estate space. Although consumer spending has been reasonably healthy throughout this expansion, it has not been overly robust. Personal consumption expenditures are growing at a rate of 2.5% annually—a healthy pace, indeed. But current confidence indicators, along with the wealth effect from higher home and equity values, suggest that consumer spending could be higher. Greater consumer spending could, given the above factors, result in an upside scenario of a 4% real GDP growth number. In general, when GDP is strengthening, so too are property markets.

The labor market is one of the largest risk factors to the commercial real estate outlook. The U.S. economy generated 2.1 million jobs in 2017—a sixth consecutive year of at least 2 million job gains—but a clear deceleration from the 2.9 million in 2015 and the 2.5 million in 2016. Based on the job openings data, demand for labor remains very robust. Demand is not the issue; finding labor talent is. The unemployment rate ended 2017 at 4.1% —below what most consider the level of full employment, estimated at 5%. The U-6 measure—known as underemployment—ended 2017 at 8.1%. These rates are among the lowest for the last 50 years. The NFIB reports that businesses are having the most difficult time filling positions since 2000. Wage pressures are also forming. The employment cost index increased by 2.5% in 2017, and is expected to continue to accelerate.

Labor Markets

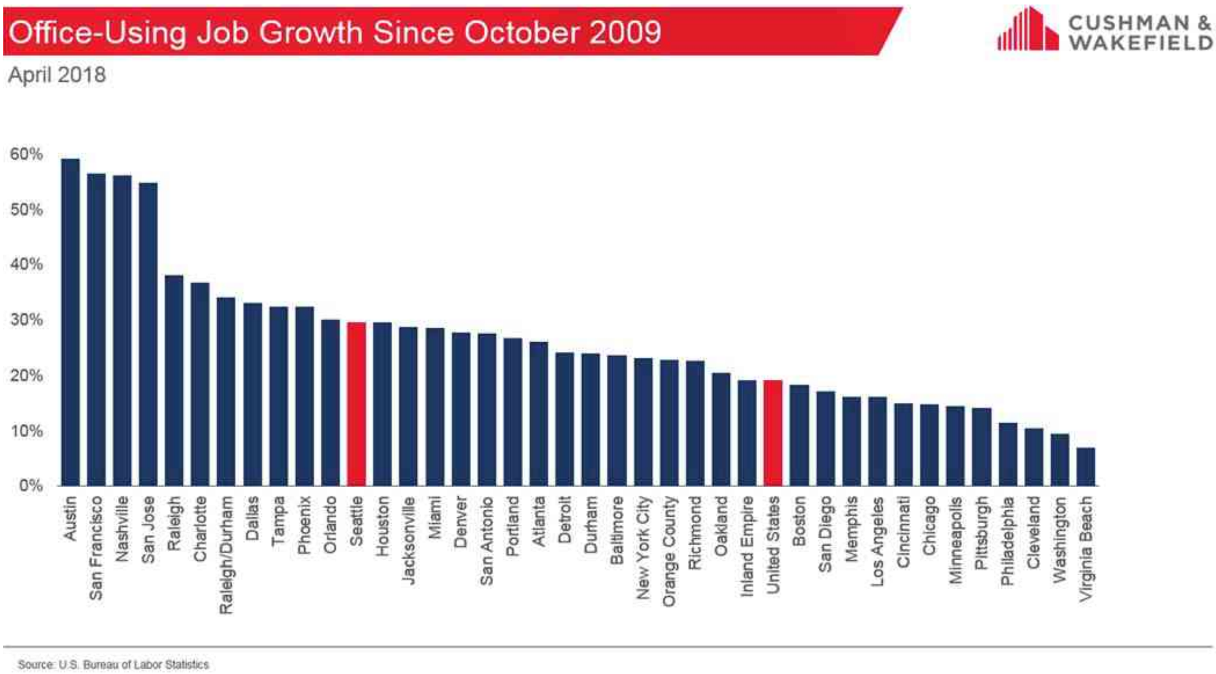
Total Employment

Employment in the U.S. grew more in 2017 than initially thought. Over the course of the year, the U.S. economy added 85,000 more nonfarm payroll jobs than earlier estimates indicated. In terms of income alone, an additional 85,000 jobs averaging an annual income of $50,000 would add approximately $4.0 billion in aggregate personal income.

That's a relatively modest upward revision, but it may indicate that the U.S. economy also grew a bit faster in 2016 than initially thought. The employment revisions will feed into revisions in real gross domestic product (GDP) this summer, and could mean that GDP growth was a little stronger than originally estimated.

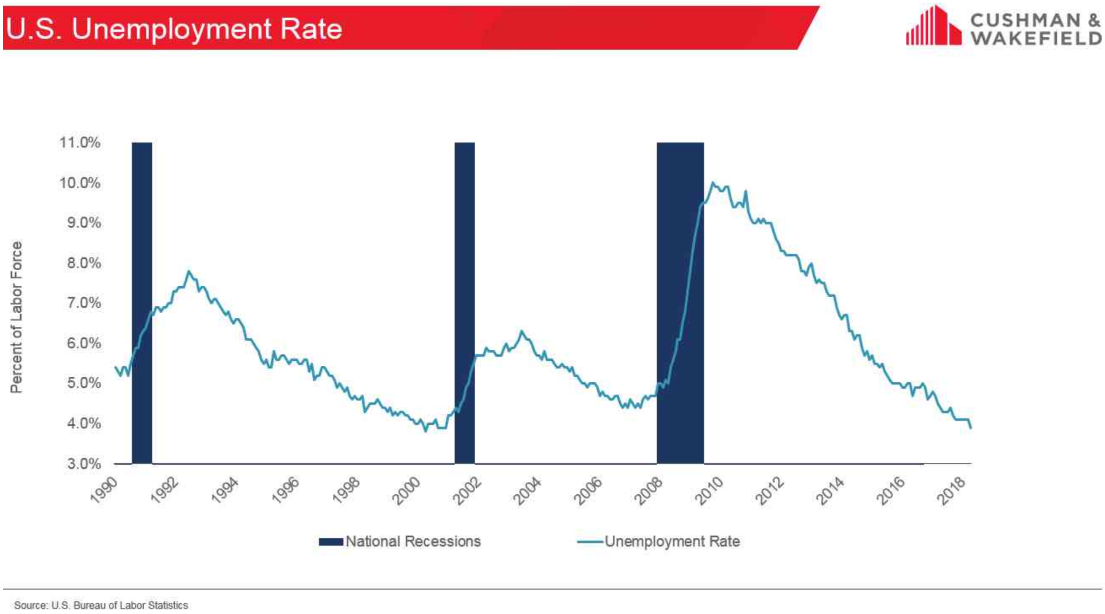
But it is at the regional level that the shifts are more pronounced. Of the top 42 U.S. metropolitan statistical areas (MSAs) tracked, several experienced greater employment growth than earlier estimated, including San Francisco (+27,200 jobs), Phoenix (+24,700) Atlanta (+19,500) and Charlotte (+16,200). At the other end of the spectrum, there were cities that did not experience as much employment growth as first reported. Please note, employment in these cities did not decline; it just didn't grow as much as earlier estimated. Among the cities where employment growth was revised downward were Denver (-20,400), Chicago (-22,500), DC Metro (-27,700) and St. Louis (-27,900).

Throughout the current economic expansion, technology-driven local economies have performed well. There did appear to be a slowing recently, but in light of the new benchmark revisions, job growth in such bellwether metros as San Francisco and Austin remained healthy. In addition, employment in several demographically driven metro areas like Phoenix and Atlanta also appears to have picked up. Meanwhile, some Northern cities like Boston, Chicago and New York did not add jobs quite as rapidly as first estimated. As shown in the following chart, many of the subject markets experienced upward movement in office-using job growth for 2016.

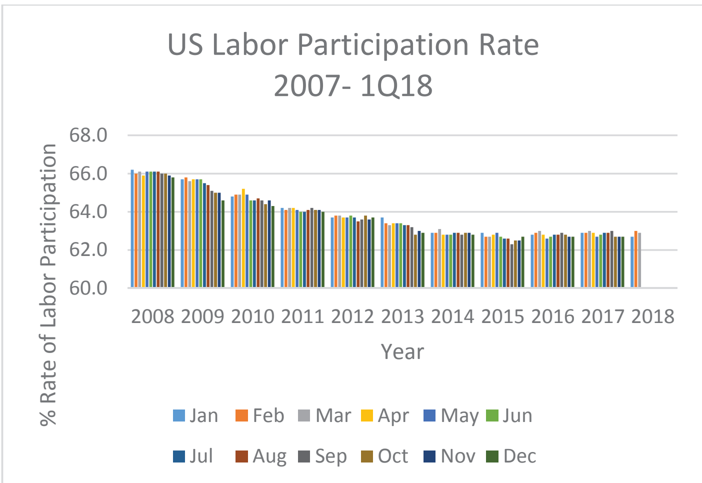


Unemployment

The unemployment rate remained flat at 4.1% in the first quarter as more people entered the labor force offsetting the growth in employment and keeping the rate unchanged. Unemployment remains at the lowest level since the early 2000s, and this labor market tightness is boosting wages, but slowly. As of March, average hourly earnings had increased 2.6% from a year ago, roughly in line with its pace a year ago. These trends are clearly depicted in the following graphic.



The following chart shows that the labor participation rate edged down, meaning there were fewer people in the civilian labor force. The US Labor Participation Rate is at a very low point because so many workers have left the work force (whether for age, job training, etc.). The expectation is that as the economy continues to grow, many of these people would come back into the work force relieving much of the pressure from the current low unemployment rate. This seems to be the case as there has not been significant wage pressure to date. Economists expected workers to be in short supply this year and for hiring to slow. So far, the opposite has happened. The pace of hiring has accelerated compared with the average for all of 2017.



Source: US Bureau of Labor Statistics

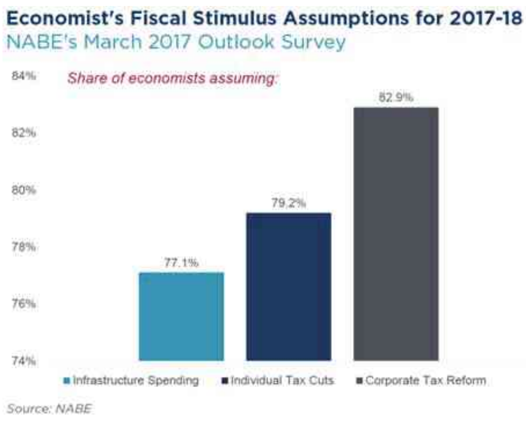
Job Creation

Job growth, a key metric for the commercial real estate sector remains strong. In the first quarter, the U.S. economy added an average of 212,000 jobs per month, on a par with the 221,000 jobs added in the fourth quarter, and strong, by any historical measure. Employment in the key office-using sectors (financial, professional and business services and information) averaged 54,000 per month, up from 42,000 per month in the preceding quarter. One highlight of Q1 labor markets was the increase in employment in the retail sector. A year ago retail employment was in free fall, dropping 31,000 jobs in the first quarter of 2017. This year the economy added 64,000 retail jobs in Q1. Part of this increase may be due to seasonal adjustment as retail employment did not increase as much in Q4 2017 as in previous years, so there were fewer job reductions in Q1 2018. Nevertheless, employment wise, the retail sector appeared in better shape in the first quarter. Buoyed by strong growth in manufacturing, total employment in industrial related sectors (warehouse, transportation and manufacturing) increased by 113,000 in Q1, with manufacturing accounting for the bulk of this growth (+73,000). E-commerce-related distribution employment also grew strongly.

Political Climate

The Trump Administration has spotlighted several priorities that affect economic/ commercial real estate forecasts directly: tax reform and/or tax cuts (for both corporations and individuals), a repeal or replacement of the Affordable Care Act (ACA), renegotiation of major trade agreements, increases in specific discretionary spending categories (defense and infrastructure) and the unwinding of or revisions to certain regulations (i.e., Dodd-Frank).

Given the current political environment, any change in policy is far from certain. Still, over 80% of economists surveyed by the National Association of Business Economics believe that some policy changes will be enacted, although likely watered-down to gain bipartisan support (particularly in the Senate). In addition, the results of any policy changes will need to maintain or come close to deficit neutrality—a requirement for most legislation if it is expected to become permanent. In our baseline scenario, we assume government spending and investment—actual outlays— will increase by an additional $70 billion over the next two years, with nearly 40% of that increase going to defense. The fastest growth is expected to occur in 2018 when overall government spending will grow at a 2.5% annual rate.



The likelihood of any changes being made to tax rates or tax policy is even less certain. Our forecast anticipates the effective corporate tax rate—that is, the tax rate actually experienced by firms—to decline from 20.2% in 2016 to 16.9% over the 10 years. That is the equivalent of about a $500 billion tax cut. It also assumes that personal income tax reform will not occur until 2018.

One potential dark cloud over this generally rosy economic outlook was the Trump Administration's push to raise tariffs on foreign produced steel and aluminum and potentially many other products. Although most of the tariff increases may not be implemented, the anti-free-trade rhetoric of the Administration has dampened enthusiasm, particularly in financial markets, where the rise in equity markets has stalled out. While we remain optimistic on the U.S. economic outlook, there potentially negative developments need to be monitored closely.

Implications for Commercial Real Estate

Office

Although headline office-using job growth reaccelerated in 2017 to 707,000 from 688,000 in 2016, we expect it to decelerate as broader momentum in labor markets faces the headwinds that accompany tight unemployment. High-tech job growth, another major driver of both traditional office and Flex/R&D space, will mimic this path. The office sector is facing a number of underlying dynamics that will slowly but surely start to push vacancy rates higher.

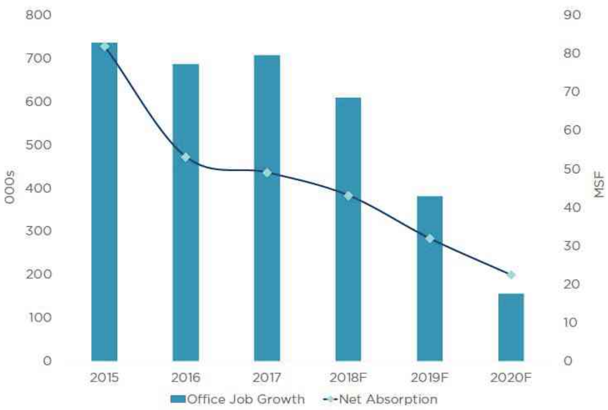
Demand for office space has already begun to decelerate. It peaked at 81 msf in 2015, slowed to 53.2 msf in 2016, and then to 49.1 msf in 2017. Some of that is due to the density trend—fewer square feet per worker—while some is due to slowing job growth in the major office-absorbing markets, including New York, Los Angeles and San Francisco. Some fall-off of demand is simply due to the maturity of the cycle which has businesses taking a more cautious approach. Our forecast calls for 1.1 million new office-using jobs to be created over the next three years—roughly half the 2.1 million-job pace from 2015 to 2017.

Leasing activity remains robust, although absorption rates are compressing in the office sector. In 2017, new leasing activity totaled 314.5 msf—the first time during this cycle that the 300 msf threshold was surpassed. Notably, new leasing volume rose across all regions from 2016 to 2017. The high-tech, business services, financial services and healthcare/life sciences sectors drove the largest deals. Government, legal, insurance, creative, energy and media industrial accounted for less than 10% of major deal activity, with creative and media contributing relatively less compared to 2016.

Slowly rising vacancy rates, particularly in the nation's CBDs, will become a key theme over the next few years. We expect 2018 to be the peak of the development cycle for the office sector, with just over 68 msf set to deliver. Although that level will fall off as construction and labor costs rise, new supply will be increasingly driven by secondary markets, with an additional 97.9 msf delivering by 2020. Preleasing activity remains healthy if not robust in many new developments; so most of the risk for the office sector will be concentrated in backfilling commodity Class A and Class B space. Going forward, in general, look for markets with little new space under construction to outperform those with a lot. Suburban submarkets offering a range of amenities as well as public transit are well positioned to capture demand.

Rent growth will come under pressure over the forecast horizon. Asking rent increases peaked in 2016 at 5.3% and are now on a decelerating path in most markets. Concession packages are already becoming more aggressive in certain markets such as Manhattan and Washington, DC, and are expected to rise in other delivery-heavy markets. Rents will also be under pressure as more lower priced Class B space comes to the market. Both of these features will contribute to the deceleration in asking rents.

OFFICE-USING JOB GROWTH VS. NET ABSORPTION

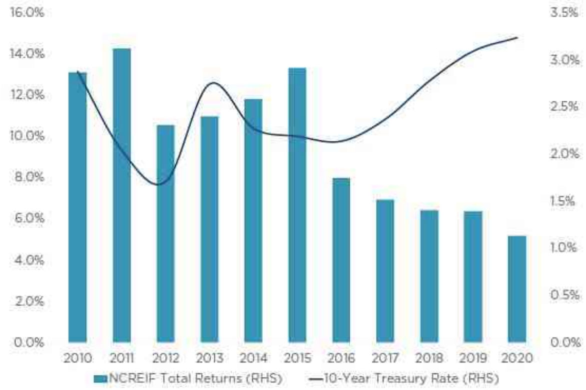


Source: U.S. Bureau of Labor Statistics, Cushman & Wakefield Research

Capital Markets

Commercial property investment markets ended 2017 on a solid note despite beginning the year with elevated economic and political uncertainty. Record low interest rates, though climbing recently, have continued to fuel a search for yield that is drawing capital into commercial real estate from other asset classes and from other countries into the U.S. Meanwhile, compressed cap rates in certain product segments and markets within U.S. commercial real estate are increasingly pushing investors towards new strategies. These strategic rotations have gained momentum as investors have become more confident about the outlook for the continuance of the current economic and commercial real estate expansionary cycle.

HIGH INTEREST RATES EXPECTED TO MODERATE RETURNS



Source: NCREIF, Federal Reserve, Cushman & Wakefield Research

FORECAST SNAPSHOT

	2018	2019	2020
Investment Sales	$450.8	$421.4	$406.3
NCREIF Returns	6.7%	6.4%	5.2%
All Property CPPI Price Index	6.0%	5.5%	2.3%

Last year ended where we had anticipated: with total volumes down by 6.7%. We expect 2018 to be a stable year. While some investors (institutions) are getting off of the sidelines, many are reaching into secondary markets, suburbs and industrial assets that tend to have a lower nominal value than their CBD and gateway counterparts. The majority of transaction activity will continue to be in core properties. But elevated pricing spreads, large amounts of dry powder and enhanced risk appetite should translate to increased transaction activity by opportunistic and value-add investors. There could be a meaningful increase in the number of deals in 2018, but fewer big-ticket transactions mean volumes will be roughly flat. The upside risk to our forecast is some investors may seek to take advantage of current pricing to liquidate assets. As interest rates increase, this may become more likely as refinancing will become less attractive. At the same time, the shift towards lower individual asset value strategies could result in greater portfolio volumes to meet minimum investment requirements of institutions.

Record levels of dry powder are aimed at U.S. commercial properties. As of January 2018, Preqin reports there is $164 billion targeting U.S. assets by closed-end funds. At current levels, investors are having increased difficulty deploying the capital they have. They will continue to face the challenge of investing that capital in an environment of rising interest rates domestically and internationally over the coming years.

Most cap rates either remained flat in 2017 or compressed between 10-20 bps, depending on the sector. Across the board, cap rates sat tight at 6.1%. Industrial remained the stand-out sector, with values rising sufficiently to push cap rates down more than 20 bps—from 6.9% to under 6.7% over the same timeframe. Nevertheless, with spreads at current levels, rising interest rates and the stage set for greater inflationary pressure, price appreciation will occur at a slower rate.

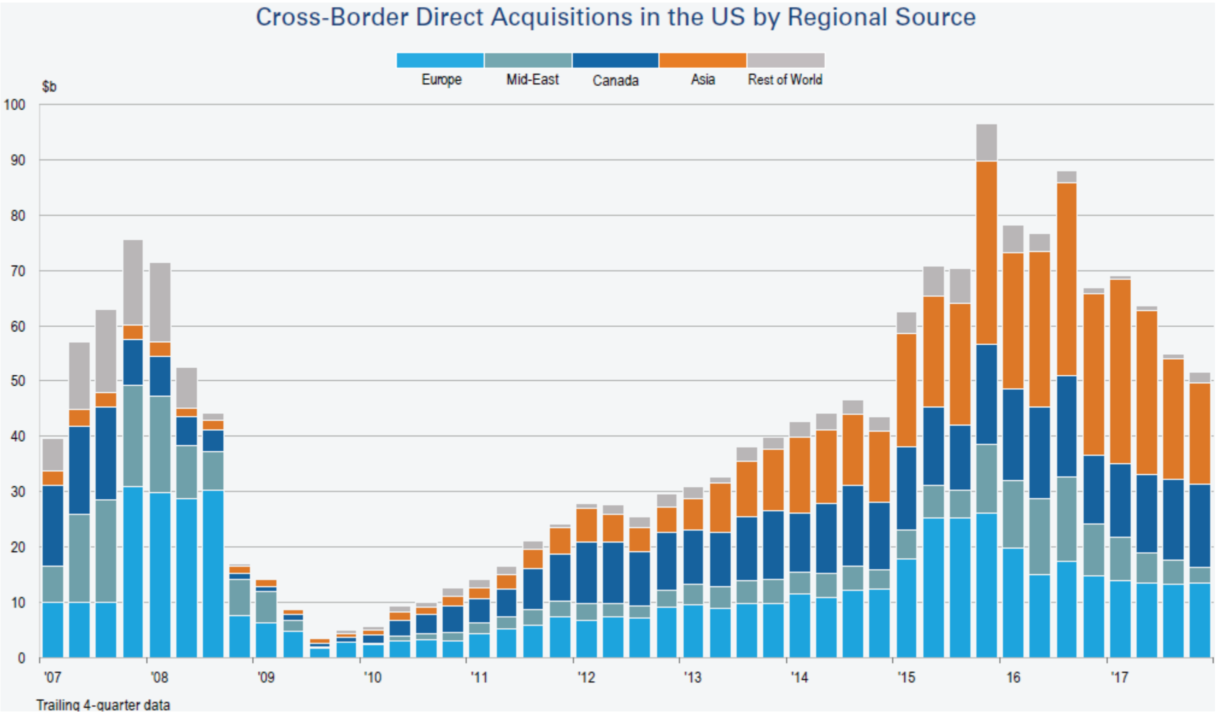
The focus for 2018 remains on maximizing returns from income growth. Only some upside risk exists for NOI returns which are likely to remain low or tempered in the face of new construction, rising vacancies and slowing rent growth. Combined with slowing appreciation, NCREIF total returns are forecast to moderate from 7.0% in 2017 to 6.4% in 2018 before compressing further. These returns are consistent with an economy that is running at full capacity but with lower growth rates than in the past. Similar decelerations would be expected across other growth sensitive asset classes.

Offshore Investment

Canadian investors were the largest investor group in the 12 months through the first quarter of 2018. These investors claimed almost one-third of all cross-border acquisition volume in the U.S. Singaporean investors were the third largest group.

Manhattan was the top target of cross-border buyers in the 12 months through Q1'18, garnering more than $8 billion in cross-border deal volume. Houston, Los Angeles and Washington DC were in the following pack, each claiming approximately $3 billion in sales volume.

Industrial deals involving overseas buyers grew 97% year-over-year for the 12 months through Q1'18. Most of this growth was driven by the GLP buyout. CBD office and apartment were the most sought after property sectors overall.



Source: RCA Analytics

Conclusion

Predicting the future has seldom been more difficult. Any policy promises that Congress keeps may lead to a stronger near-term outlook which would bolster demand for real estate space. However, it may also cause the trajectory for U.S. interest rates to steepen which in turn will likely affect the pace at which the Federal Reserve's Open Market Committee raises interest rates. Job growth, positive and still quite robust, will slow as the unemployment rate pushes lower. All asset categories will see tempering demand meeting deliveries, beginning a gradual upward swing in vacancy. With the exception of retail, assets will likely see rent growth remaining strong in 2018 before slowing in 2019. And capital markets volumes will buck any uptick in interest rates, with sales activity declining over the next two years but holding at a healthy pace. Real estate returns, driven largely by trends in pricing, will moderate over the near-term as well, but will remain competitive vis-à-vis alternatives.

All and all, upside risks more than offset the downside risks to our outlook. As we assess the future trajectory of the property markets, the positives comfortably outweigh the negatives. We may be entering into the final stage of the U.S. expansion, but that doesn't mean the final stage can't go for a lot longer.

U.S. MACRO FORECAST TABLE

	2015	2016	2017	2018	2019	2020
U.S. Economy						
Real GDP, AR%	2.9	1.5	2.3	2.7	2.1	1.9
Nonfarm Employment Change, Ths.	2,876	2,492	2,140	2,019	1,221	455
Office-using Employment Change, Ths.	737	688	707	610	381	155
Unemployment Rate, %*	5.3	4.9	4.4	3.7	3.5	4.1
CPI-U Inflation, Yr/Yr%*	0.1	1.3	2.1	2.2	2.2	2.2
Core PCE Inflation, Yr/Yr%*	1.3	1.8	1.5	1.8	2.0	2.1
ECI Total Wages & Salaries Index, Yr/Yr%*	2.2	2.3	2.5	2.8	3.0	2.7
Fed Funds Rate, % (Year-end, Q4)	0.2	0.4	1.2	2.0	2.9	2.9
10-year Treasury Rate, % (Year-end, Q4)	2.2	1.6	2.2	2.7	3.0	3.2
Retail Sales & Food Services, Yr/Yr%*	2.6	3.0	4.6	5.2	3.5	2.5
GAFO Retail Sales, Yr/Yr%*	1.7	-0.1	1.8	4.5	3.3	3.2
eCommerce Sales, Yr/Yr %*	14.0	14.9	15.8	16.4	13.0	10.3
Manufacturing Industrial Production, Yr/Yr %*	0.2	0.2	1.7	2.3	1.7	1.6
Office Sector[1]						
Deliveries, msf	51.8	52.4	54.7	68.4	55.6	42.3
Net Absorption, msf	82.0	53.2	49.1	43.1	31.9	22.4
Vacancy Rate	13.8%	13.2%	13.2%	13.5%	13.8%	14.1%
Asking Rents	$27.68	$29.16	$30.41	$31.64	$32.65	$33.26
Growth in Asking Rents, Yr/Yr %	3.3%	5.3%	4.3%	4.0%	3.2%	1.9%
Industrial Sector[1]						
Deliveries, msf	176.9	233.0	246.1	249.5	220.1	208.3
Net Absorption, msf	247.8	281.7	246.3	232.3	200.3	180.5
Vacancy Rate	6.6%	5.7%	5.2%	5.3%	5.4%	5.5%
Asking Rents	$5.31	$5.54	$5.75	$5.92	$6.06	$6.14
Growth in Asking Rents, Yr/Yr %	6.0%	4.2%	3.9%	3.0%	2.4%	1.3%
Retail Sector[1,2]						
Deliveries, msf	27.5	25.0	21.8	18.0	11.3	8.9
Net Absorption, msf	41.7	38.3	34.1	6.3	3.9	-0.3
Vacancy Rate	7.9%	7.5%	6.9%	7.0%	7.1%	7.3%
Asking Rents	$15.69	$15.98	$16.45	$16.84	$16.94	$16.81
Growth in Asking Rents, Yr/Yr %	1.1%	1.9%	2.9%	2.4%	0.6%	-0.8%
Capital Markets[3]						
Total Investment Sales, $ Bil.	$547.1	$497.1	$463.9	$450.8	$421.4	$406.3
NCREIF Unlevered Returns, AR%	13.3%	8.0%	7.0%	6.7%	6.4%	5.2%
Moody's/RCA CPPI (All Property Types), % (Year-end, Q4)	10.6%	9.1%	7.0%	6.0%	5.5%	2.3%

1 Annual asking rents and vacancy rates are averages, not year-end.
2 Historical series based on CoStar: Shopping Centers Only (excludes stand-alone and urban retail)
3 Total investment sales includes office, industrial, retail, multifamily, hotel, and land sales.
* Annual Average

Sources: Moody's Analytics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve, U.S. Census Bureau, U.S. Board of Governors of the Federal Reserve System, CoStar (retail only), Real Capital Analytics, NCREIF, Cushman & Wakefield Research

National Office Market

Overview

Most national economic indicators are at their strongest point in this expansion cycle, and consequently, as are the fundamentals of the U.S. office market. In the 87 office markets tracked by Cushman & Wakefield, overall average asking rent, at $30.65 per square foot (psf), is near its cyclical high, representing an increase of 1.9 percent on an annual basis but 0.2 percent behind the overall average asking rent for fourth quarter 2017. At 11.8 million square feet, new construction completions outpaced net absorption, contributing to the modest rise in the national vacancy rate from 13.1 percent in fourth quarter 2017 to 13.3 percent in first quarter 2018. According to Real Capital Analytics, the value of office properties are above the 5-year average, and cap rates fell during the quarter.

The U.S economy experienced slower growth in the first quarter of 2018. Overall U.S. gross domestic product (GDP) increased at a 2.3 percent annual pace for the quarter, according to the initial estimate from the Bureau of Economic Analysis. U.S. GDP growth has tended to slow in the first quarter in recent years despite seasonal adjustment, so this moderation in growth is not a cause for concern.

The following summarizes key points regarding employment, according to the Bureau of Labor Statistics:

- Overall unemployment rates have tightened as the nation closes in on full employment. At the end of first quarter 2018, the national unemployment rate, at 4.1 percent, was unmoved from year-end 2017.
- The U.S. market added an average of approximately 212,000 jobs per month in first quarter 2018, ahead of the average of 182,000 jobs per month in 2017. In February 2018, the market added roughly 324,000 new jobs, the highest monthly total since July 2016. The jobs added in March, at 135,000, offset progress made earlier in the quarter.
- The office-using sectors added an average of roughly 54,300 jobs per month in first quarter 2018. Office-using employment growth was ahead of the 47,000 new jobs per month recorded in 2017. The trend of strong office-using employment growth that has been seen throughout this cycle.
- In the office-using industries, employment in the professional & business services sector added an average of 46,000 per month in first quarter 2018. The financial activities industry registered an average of over 12,000 jobs added per month, while the information industry averaged a decrease of 3,700 jobs per month for the year.
- Job growth is a critical component of determining demand for office space. The national U.S. unemployment rate has gradually declined since 2009, and office-using employment has been one of the biggest gainers during this expansion period. Office-using employment now makes up 21.7 percent of all nonfarm payroll jobs in the U.S.

National Office Market Statistics

Vacancy

At the end of first quarter 2018, the national office market overall vacancy rate was 13.3 percent, increasing 10 basis points year-over-year. The large amount of space consistently being delivered to the market in recent quarters has limited progress made through job gains and leasing activity. Payroll employment, a key driver of the office market, expanded on a year-over-year and quarterly basis in first quarter 2018. Particularly the professional & business services sector, which added 502,000 jobs over the past twelve months, increasing the demand for office space. The U.S. economy is expected to continue to add jobs, influencing the demand for office space throughout 2018.

Notable points include:

- The CBD national office market's overall vacancy rate was 12.2 percent at first quarter 2018. This is unchanged from the fourth quarter and dropped 20 basis points year-over-year. The Tucson, AZ market recorded the lowest overall vacancy rate within the CBD markets, at 3.4 percent, declining 3.4 percentage points year-over-year.
- The suburban national office market's overall vacancy rate, at 13.8 percent, declined 20 basis points on a quarterly and year-over-year basis. Within the suburban national office market, the San Francisco market recorded the lowest vacancy rate, at 4.6 percent, a year-over-year decline of 1.8 percentage points.
- Vacancy rates are challenged by changes in the workplace environment, including denser, more "collaborative" office space usage and new technology platforms. Net absorption will have to improve in order to offset the vacancy created by the large quantities of office space hitting certain markets throughout the year.

Asking Rents

Coinciding with the increased demand and somewhat low national vacancy rates, the national average asking rent has consistently climbed in value, reaching a new high at year-end 2017. At $30.65 psf in first quarter 2018, the national weighted average declined 0.2 percent over the previous quarter, the first decline in total rent since second quarter 2011. Despite the overall decline, the average rent increased on a year-over-year basis and 45 of the 87 markets tracked by Cushman & Wakefield experienced an increase in rents during first quarter 2018. In addition, major markets like Midtown Manhattan, San Francisco, Midtown South Manhattan, Downtown Manhattan and Washington D.C., continue to record asking rents above $50.00 psf, on an annual basis. As the national office market anticipates a modest increase in vacancy rates due to greater supply in the next 12 months, this will likely moderate the growth of overall average asking rents.

Further considerations include:

- The region with the fastest rent growth was the South, asking rents increased 0.8 percent quarter-over- quarter. The Northeast and West regions reported quarterly declines of 1.2 and 1.1 percent, respectively.
- The CBD office market continues to record higher asking rents than the suburban office market. The CBD national office overall average asking rent was $41.19 psf, a 0.1 percent increase from fourth quarter 2017. The suburban national office overall average asking rent, at $26.35 psf, dropped 0.2 percent from the average asking rent recorded in fourth quarter 2017.
- Within the CBD national office market, the Midtown Manhattan market recorded the highest average asking rent of $77.06 psf. However, the Palm Beach, FL CBD market experienced the largest average rental increase, jumping 13.3 percent over fourth quarter 2017.

- The San Francisco market, within the suburban national office market, recorded the highest overall average asking rent of $64.11 psf in first quarter 2018. The Orange County, CA suburban market increased 6.9 percent over fourth quarter 2017, the highest quarterly change in the suburban national office market.

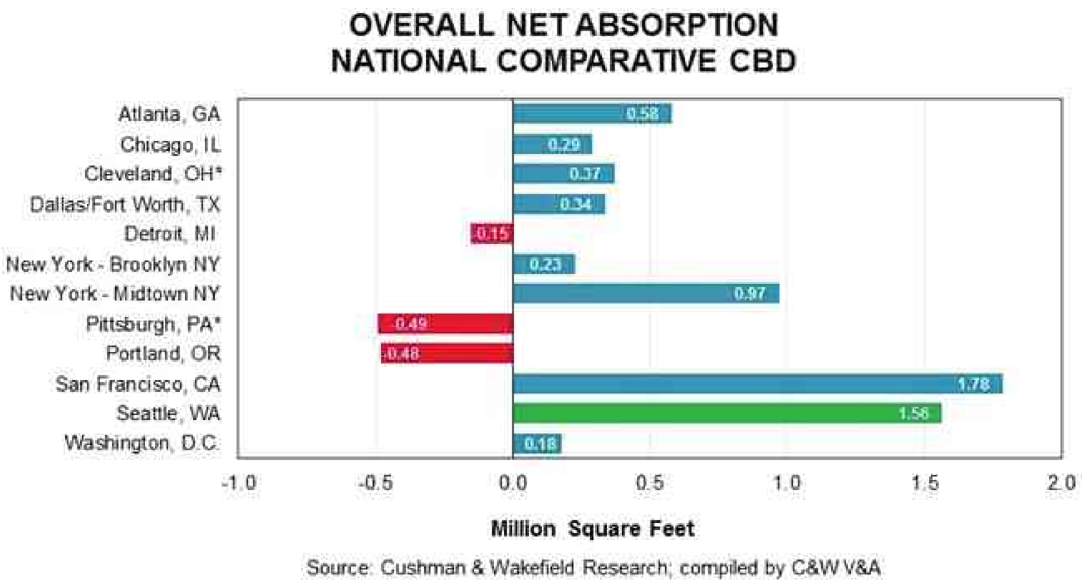
Absorption

Net absorption totaled 8.1 million square feet in first quarter 2018. Absorption is directly related to employment growth and leasing activity, both of which performed well in the first quarter. However, the large amount of new speculative supply being delivered to the market tempered overall net absorption. The West region dominated first quarter absorption, capturing 7.0 million square feet, or 86.3 percent of total absorption.

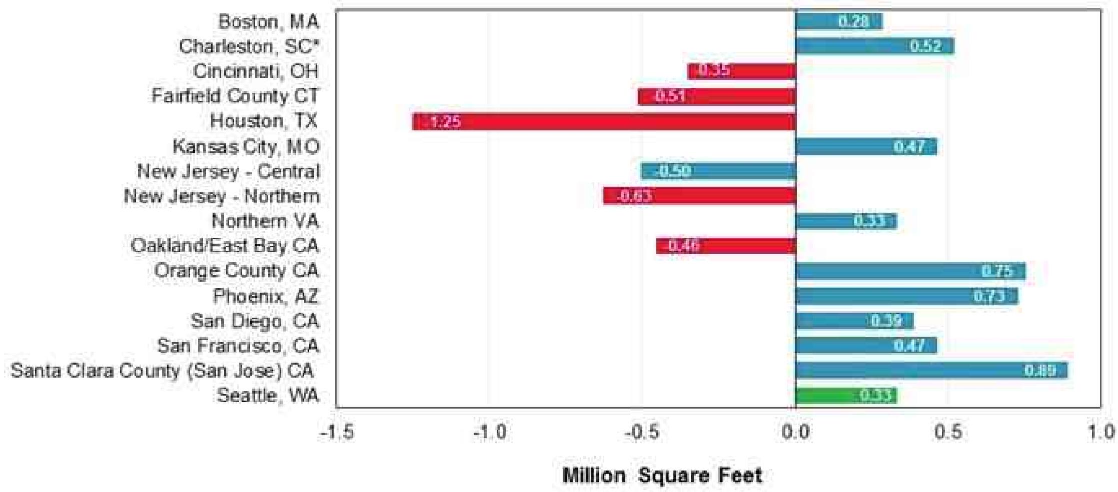
Further considerations for first quarter 2018 are as follows:

- The CBD national office market, registered 4.7 million square feet of net absorption in first quarter 2018. The largest positive absorption was recorded in the San Francisco CBD market, absorbing approximately 1.8 million square feet in the quarter. In addition, the Orange County, CA CBD market gave back the most amount of space, returning over 700,000 square feet to the market.
- The suburban national office market absorbed 3.4 million square feet in first quarter 2018. The Santa Clara County suburban market absorbed the largest amount of space, at approximately 893,000 square feet. The Houston market gave back the largest amount of space to the suburban office market, at roughly negative 1.3 million square feet of net absorption for the first quarter.

The charts below highlight the national office absorption trends for the major markets in the United States in first quarter 2018, segmented between the CBD and suburban office markets:



OVERALL NET ABSORPTION
NATIONAL COMPARATIVE SUBURBAN



Source: Cushman & Wakefield Research; compiled by C&W V&A

National Office Investment Sales Market

As shown in the comparative absorption exhibits above, overall absorption in various U.S. markets has not been consistent, which impacts the selection of “preferred” investment markets for office building investors. Historically, investors targeted the best quality assets in “core” markets during a recovery phase, and have gradually shown an inclination to move “down the food chain” in terms of quality and market location. This shift occurs where there is less competition and better yield potential over the near-term. There is no doubt, however, that assets located outside of the major “core” markets are in less demand.

Sales Volume

Office transactions (total dollar volume) have exhibited an upward trend since the end of the most recent recession, which concluded in the middle of 2009. As the economy continued to improve over the years, investors gained confidence in the office market, and from 2009 to 2015, sales volume experienced consistent year-over-year growth. It is important to note that sales volume increased 156.1 percent from 2009 to 2010, due in large part to low interest rates and limited level of spending in 2009 as well as higher capitalization rates that followed the recession.

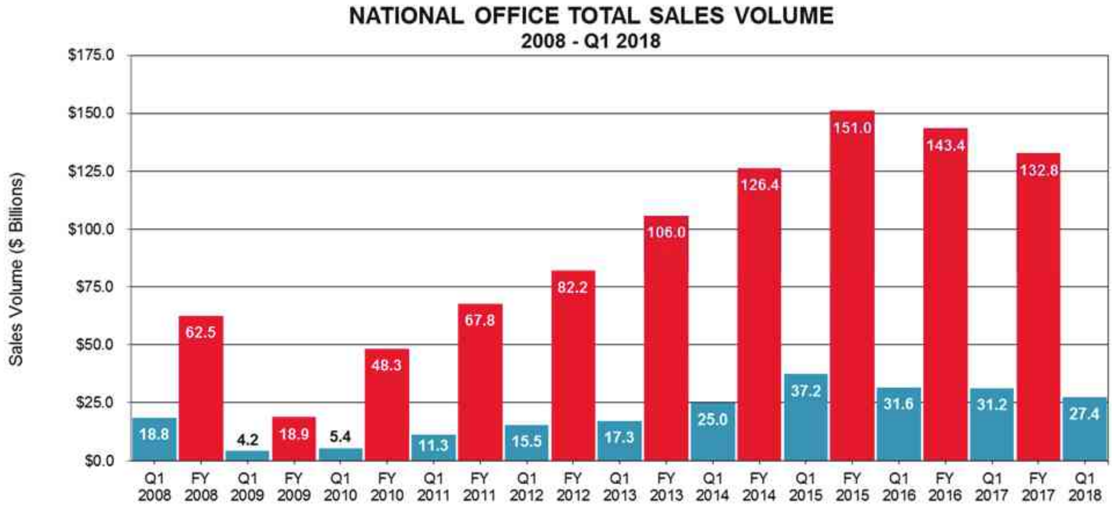
Sales volume reached $143.4 billion in 2016, a 5.0 percent drop when compared with 2015. Sales volume in 2017, at $131.9 billion, declined 7.4 percent from 2016. The relatively lower sales volume exhibited in 2016 and 2017 can be in part explained by the unusual activity in early 2015, where falling cap rates and ease of finance from the commercial mortgage-backed securities (CMBS) market helped drive sales activity. It is worth noting that total office sales volume in 2017 is 9.1 percent above the sales volume for previous five-year annual average.

Further considerations are as follows:

- Sales volume in first quarter 2018, at $27.4 billion, is 12.3 percent behind the same period in 2017. The sharp decline in office deal volume is somewhat misleading as only certain deal structures face challenges. Portfolio and entity-level transactions experienced a 50.0 percent drop from first quarter 2017 as only two megadeals priced at over $200.0 million took place in first quarter 2018, this compared with nine a year earlier. Sales of individual assets fell just 2.0 percent in the first quarter of 2018 compared to the same period a year ago.

- According to Real Capital Analytics (RCA), the high prices during a period of uncertainty, caused by increased interest rates, have deterred some buyers from investing at this time. Owners of office properties are also hesitant to sell when there are few other high yielding opportunities to redeploy their capital after a sale.
- Despite the uncertainty, high prices were not a barrier in certain markets. Manhattan saw 111.0 percent year-over-year growth in office deal volume. An indication that owners in certain markets are coming to grips with the fact that prices are about as high as they may go and are more likely to bring product to the market than a year earlier.
- Sales volume declines in some markets may translate into a general reduction of set prices for office properties, pushing cap rates up as a consequence.

The following table provides an historical view of sales volume on an annual basis from 2008 through 2017. The first quarter volume over the last decade has been included for comparable purposes:



Source: Real Capital Analytics, Inc.

Overall Rates

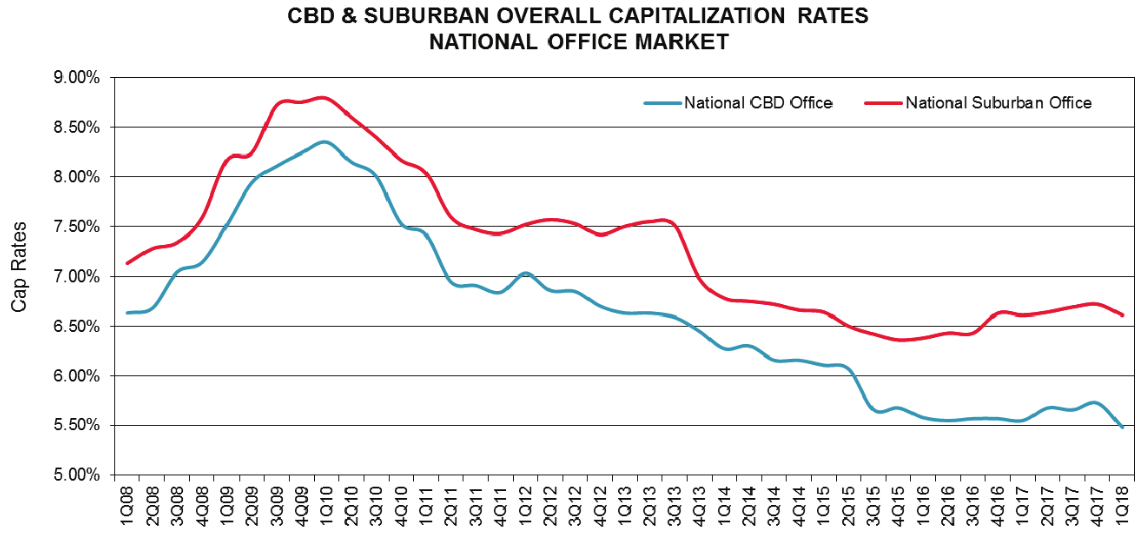
The office sector has generated and sustained investor demand over the past few years, driving down overall cap rates. Typically CBD properties in major markets have been the primary contributor to the office sector's momentum, although suburban office markets have also exhibited a downward trend since 2009 due to increased investor interest. The performance of individual CBD office markets can be inconsistent, top-tier CBDs are outperforming the country while smaller downtown areas are struggling. Average overall cap rates remain lower for most CBD markets than for its suburban counterparts since higher barriers to entry and a lack of land for new development tend to keep supply and demand more balanced in a market's CBD. As a result, CBD assets typically achieve higher rental rates. Overall cap rates remain near record lows, however, rates have started to rise as interest rates continue their inevitable ascent.

The PwC Real Estate Investor Survey and the National Council of Real Estate Investment Fiduciaries (NCREIF) methodologies offer unique perspectives on capitalization rate trends. The PwC Real Estate Investor Survey calculates its data based on a personal survey of major institutional equity real estate market participants. In contrast, NCREIF looks at data from appraisals included in their benchmark property return index. The index contains quarterly performance data for unlevered investment-grade income-producing properties that are owned by, or on behalf of, exempt institutions.

The following points detail the PwC Real Estate Investor Survey and NCREIF capitalization rate trends:

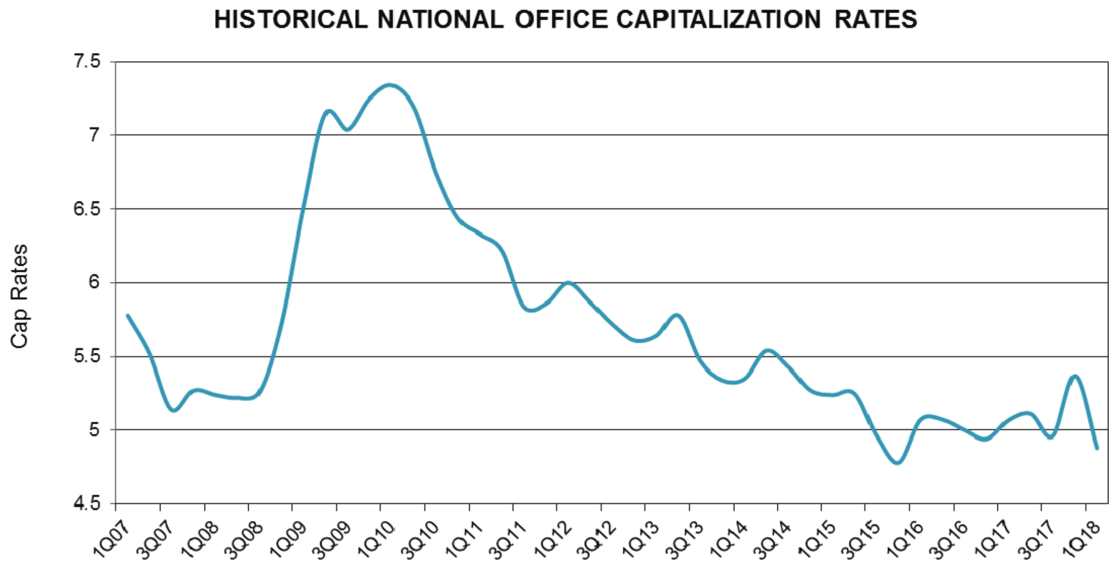
- The PwC Real Estate Investor Survey shows that as of first quarter 2018, the national CBD OAR declined 7 basis points to 5.5 percent, from first quarter 2017. The suburban OAR, at 6.6 percent in first quarter 2018, was in line with the rate reported in the same period in 2017.
- The NCREIF reported that cap rates experienced increases in 2017. At 4.9 percent as of first quarter 2018, the national office cap rates declined 50 basis on a quarterly basis and 20 basis points on a year-over-year basis.

The following graph reflects national trends for CBD and suburban overall capitalization rates as surveyed by the PwC Real Estate Investor Survey:



Source: PwC Real Estate Investor Survey

The graph below reflects national historical cap rate trends as reported by NCREIF:



Source: National Council of Real Estate Investment Fiduciaries

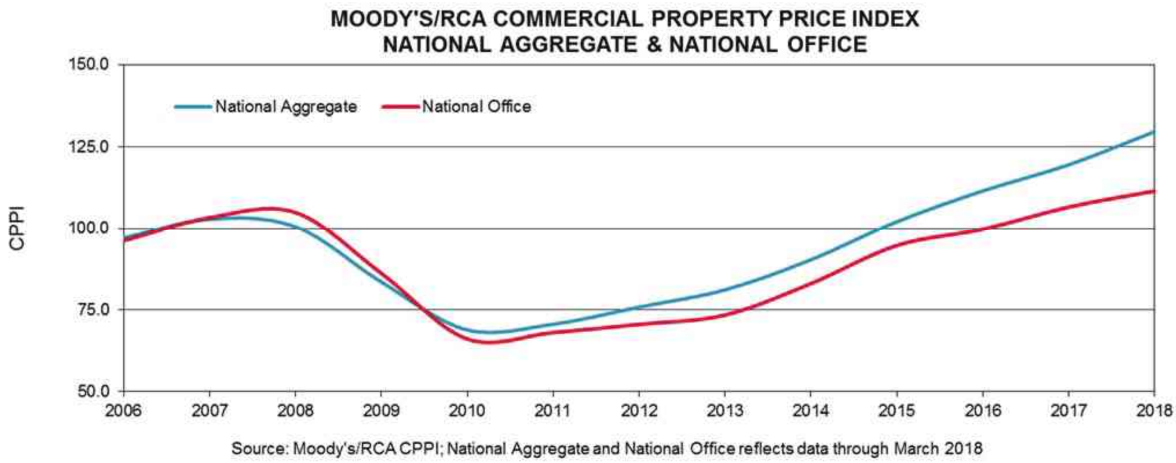
Moody's/RCA Commercial Property Price Index

The Moody's/RCA Commercial Property Price Index (CPPI) measures the change in price of commercial real estate and reflects the empirical results of direct investments over time. Developed by MIT's Center for Real Estate in conjunction with a consortium of firms including Moody's and RCA, the index tracks price changes based on closed transactions, and implements advanced repeat-sale regression (rsr) analytics to gauge performance in current and prior periods.

The following points are for consideration regarding the Moody's/RCA CPPI:

- As of March 2018, the national aggregate index was 129.7. The national aggregate index grew 8.5 percent from March 2017, and increased 1.8 percent on a quarterly basis.
- The national office index increased 4.6 percent from 106.6 in March 2017, to 111.5 in March 2018. Compared to the previous quarter (December 2017), the national office index increased 1.0 percent.
- Both the national office index and the national aggregate index have exhibited continued growth during this economic expansion. The national office index ended the quarter 70.2 percent above the low recorded in May 2010, while the national aggregate index has increased 89.4 percent during the same period.

The graph below displays the CPPI from March 2006 to March 2018:



Sale Price Per Square Foot

Historically, office pricing did not experience the same dramatic fluctuations as seen with sales volume trends. This was, in large part, due to sellers holding out and waiting for market fundamentals to improve. As the nation began to recover from the recent economic downturn in 2010, the annual average sales price per square foot exhibited a positive trend.

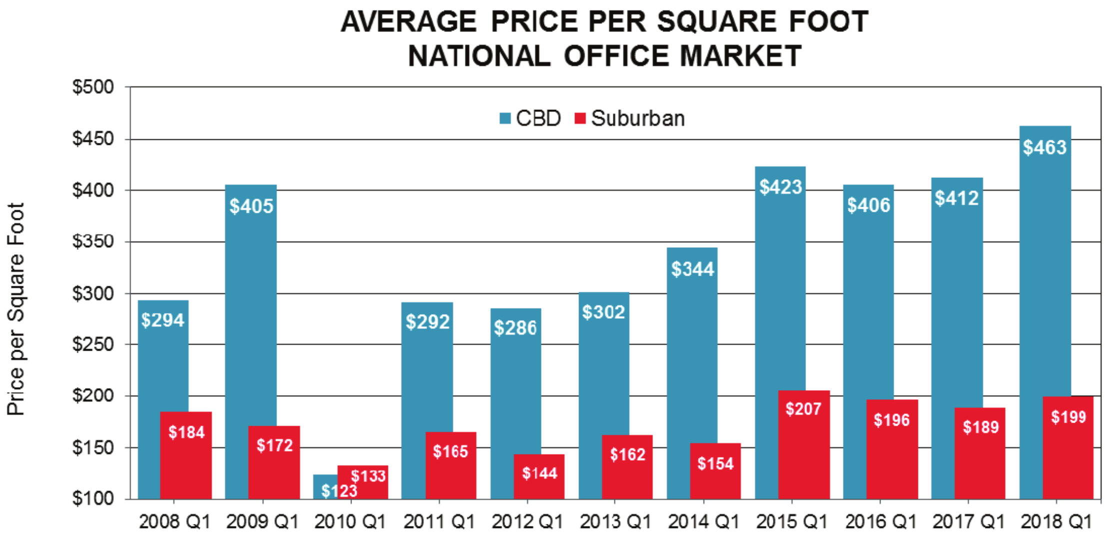
As of first quarter 2018, both the CBD and suburban markets experienced an annual price per square foot increase. The CBD market's price per square foot is at its highest level, while the suburban markets is near all-time pricing highs recorded by RCA.

The following points provide details regarding sale price per square foot:

- The CBD average price per square foot, at $463 as of first quarter 2018, increased 12.2 percent from the same point in 2017 ($412), and is 23.2 percent ahead of fourth quarter 2017 ($376).

- The suburban average price per square foot, at $199 as of first quarter 2018, is 3.3 percent lower than in fourth quarter 2017 ($206). However, the suburban price per square foot grew 5.2 percent on a year-over-year basis.
- The 10-year period, from first quarter 2009 through first quarter 2018, compound annual growth rate (CAGR) for the CBD is 15.6 percent, above the last 5-year compound annual growth rate at 9.3 percent. The suburban 10-year CAGR is 2.0 percent while the 5-year CAGR is 5.1 percent.

The following graph reflects the national office average price per square foot from first quarter 2008 to first quarter 2018 (based on Real Capital Analytics data):



Source: Real Capital Analytics

National Office Market Summary

The U.S. economy is now in the second longest economic expansion in its history; development during this expansion has contributed to further tightening in office markets across the United States (although we recognize the national market performance is "average" and does not apply to all markets across the board). Overall, capitalization rates stay near record lows despite recent escalations, asking rents are near all-time highs, and sales volume is above the five-year average, as of first quarter 2018. The office market experienced solid leasing, absorption and construction activity during the first quarter, continuing the trends of recent years.

Following are notes regarding the outlook for the U.S. national office market for 2018 and beyond:

- The U.S. economy will face a number of upcoming challenges, none more so than continued interest rate increases. However, the national economy is not expected to slowdown in 2018. Wages and consumer spending are anticipated to grow throughout the year. In addition, the sweeping tax bill passed in December 2017 is likely to offset concerns surrounding interest rates. The fiscal policy change includes significant tax reductions for corporations and small businesses, and is expected to further improve national economic conditions.

- The big story of the national office market will be the continued amount of new construction over the coming year. New supply will offset positive job growth and leasing activity in many markets which will likely lead to flat or rising vacancy. Each market will be influenced by its own supply and demand dynamics, but, overall, most markets are expected to become more occupier favorable over the next 12 months.
- Technology-driven markets continue to represent a large presence within the national office market. In the 87 office markets tracked by Cushman & Wakefield, the technology and financial services sectors captured approximately 42.0 percent of all leasing in first quarter 2018.
- Average asking rents will be affected by the burst of new supply, however rent is still expected to grow at a moderate pace as demand for newly constructed or refurbished space, which offers modern amenities and layouts, remain strong.
- Steady confidence in the economy will likely lead to stronger economic growth, providing more jobs and more demand for office space. Office-using employment is near its record high in terms of the overall percentage of all nonfarm payroll jobs in the U.S. and is expected to increase over the next 12 to 18 months.
- The availability of capital will continue to support the expansion of the U.S. real estate market and the U.S. economy, further reaffirming the positive outlook for the national office market.

Seattle, Washington

Located in Washington State between Puget Sound and the Cascade Mountain Range, the Seattle-Tacoma-Bellevue Metropolitan Statistical Area (Seattle MSA) is the 15th largest MSA in the United States, with an estimated 2017 population of approximately 3.9 million, according to Experian Marketing Solutions, Inc. Comprised of King, Snohomish and Pierce Counties, the Seattle MSA is the primary economic and cultural center of Washington, and the largest metropolitan area in the Pacific Northwest.

Demographic Trends

Demographic Characteristics

The demographic characteristics of the Seattle CBSA are strong compared to those of the United States. Compared to the nation, the metro area's slightly younger population tends to achieve higher levels of education, which is a benefit to the metro area's many professional and other skilled based employers. Corresponding with higher levels of educational attainment, household incomes in the Seattle CBSA tend to be higher than household incomes across the United States. Despite living costs that are 27.0 percent higher than the national average, the metro area's high quality of life, competitive wages, and variety of employment opportunities make it an attractive location for potential new residents. The metro area's favorable demographic characteristics will support strong population and business growth trends in the future.

Population

According to Experian Marketing Solutions Inc., the population of the Seattle CBSA was estimated to be almost 3.9 million residents in 2017, making it the largest metro area in the Northwest and the 15th largest metro area in the United States. Population growth trends in the Seattle CBSA consistently exceeded the national population growth rate between 2007 and 2017. Above average household incomes, strong employment growth trends, and a high quality of life encouraged in-migration to the Seattle area over the past ten years, and these factors should continue to attract highly educated workers to the area going forward. After experiencing a ten year high in population growth in 2017, forecasts indicate that the Seattle CBSA population growth rate may have peaked, as growth is expected to slow in 2018. However, the metro area annual population growth rate is projected to remain well above the national population growth rate over the next five years through 2022.

Further considerations are as follows:

- The population of the Seattle CBSA increased at an average of 1.6 percent annually between 2007 and 2017, which is an estimated 80 basis points greater than the average annual growth rate of 0.8 percent recorded across the nation during the same period.
- The Seattle CBSA population is expected to grow at a lower average rate between 2018 and 2022 than it did during the last ten years, at 1.3 percent per year. In comparison, the annual population growth rate in the U.S. is expected to average 0.6 percent per year over the same period.

Below is a table showing annualized population growth for the Seattle CBSA relative to the United States:

Annualized Population Growth by County
Seattle CBSA
2007-2022

Population (000's)	2007	2017	Forecast 2018	Forecast 2022	Compound Annual Growth Rate 07-17	Compound Annual Growth Rate 18-22
United States	301,231.2	325,719.2	328,034.9	336,614.5	0.8%	0.6%
Seattle, WA	**3,304.5**	**3,870.9**	**3,936.8**	**4,145.1**	**1.6%**	**1.3%**
Pierce County	772.5	878.0	889.7	932.0	1.3%	1.2%
King County	1,848.0	2,190.5	2,230.8	2,351.2	1.7%	1.3%
Snohomish County	684.0	802.5	816.4	861.9	1.6%	1.4%

Source: Data Courtesy of Moody's Analytics, Cushman & Wakefield Valuation & Advisory

Economic Trends

Gross Metro Product

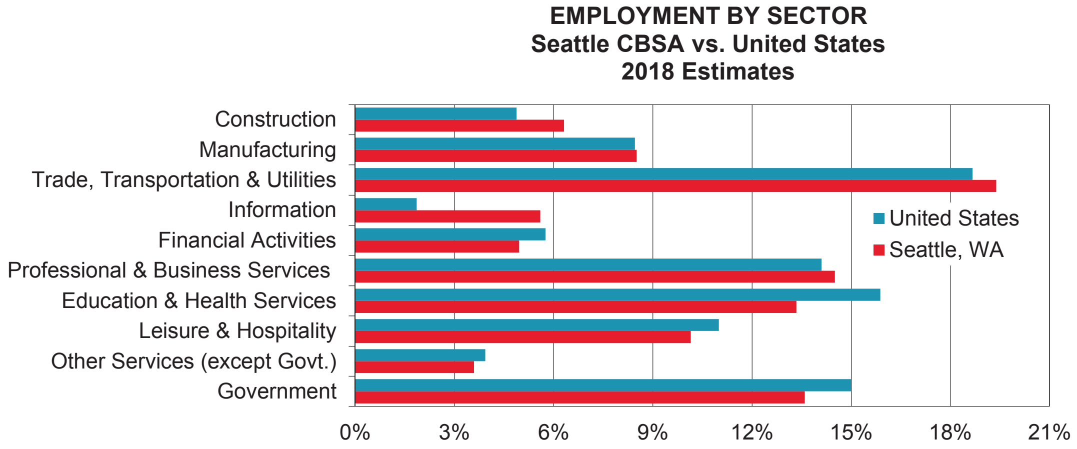
Gross Metro Product (GMP) growth trends for the Seattle CBSA were generally stronger than national gross product growth trends over the last ten years. In 2009, The Seattle CBSA experienced its only year of GMP decline, falling 3.9 percent, ahead of the national decline of 2.8 percent. The Seattle CBSA recorded a stronger gross product growth rate than the United States between 2012 and 2017. The Seattle metro area experienced a surge in GMP growth over the last two years, as it more than doubled the national GMP growth in 2016 and 2017.

In 2017, the Seattle area recorded its strongest year of GMP growth since 2007, which recorded a growth rate of 4.6 percent. This trend is expected to continue in the near term, and forecasts provided by Moody's Analytics predict that the Seattle CBSA will achieve a stronger rate of gross product growth than the nation over the next five years. The thriving economic growth can be attributed to the stable demand for high-wage professions generated by the many corporate headquarters located in the area.

Employment Distribution

The Seattle CBSA benefits from a relatively diverse employment base, and serves as the major service and logistics hub of the Northwest region. The trade, transportation & utilities and the professional & business services sectors employ the highest percentages of workers in the Seattle CBSA, and the government and professional & business services sectors also account for large shares of employment in the metro area. The metro area is heavily reliant on its technology and aerospace manufacturing industries, which is potentially a long term risk. The two-year contraction in aerospace manufacturing jobs will soon bottom, but the industry will no longer be a source of long-run job and income gains. Despite large workforce reductions, top employer Boeing will be a source of stability, and payrolls will remain roughly even as the company adapts to airlines' demand for smaller planes. The start of production at the firm's new carbon-fiber wing facility in Everett will create up to 1,000 manufacturing jobs over the next few years, but net gains will be slim as automation takes hold elsewhere on the assembly line.

The graph below compares the employment sectors for the Seattle CBSA and the United States:



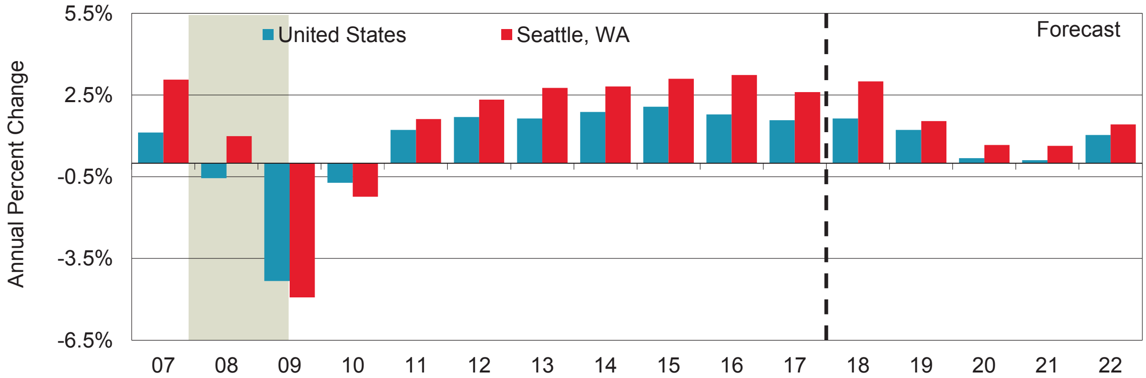
Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory

Employment Growth

The Seattle CBSA employment growth continues to outpace the nation. The area experienced stronger employment growth than national average rate between 2007 and 2017. Tech titan Amazon's push to establish a second corporate headquarters beyond its Seattle base is not a rebuke to the area's tech-charged economy, but it does cast light on labor, housing, and commercial real estate constraints that will place a speed limit on growth over the next few quarters. Although large labor force gains have created more room for employers to run, the pool of idle workers is rapidly thinning, and the synchronous U.S. expansion will create better-paying opportunities throughout the country, reducing the incentive to migrate. Salaries for the Seattle CBSA tech workers remain well below those in the San Francisco Bay Area, but they have risen by more than a third in the past four years and are considerably higher than tech bastions in the Mountain West such as Denver and Boulder, CO and Salt Lake City and Provo, UT. Still, with large tech firms getting first pick of engineering graduates at top-ranked University of Washington, Seattle will maintain its allure. Amazon will still add close to 10,000 workers at its local headquarters in the next few years, and Microsoft, Google and F5 Networks all harbor plans for expansion in the city. Though rising wages and office rents will encourage smaller tech firms to look elsewhere, proximity to top talent and the agglomeration economies of the CBSA, Portland, and the Bay Area will entice larger firms to remain. With stronger demographic traits, a relatively balanced economy, and the metro area's position as a primary business center of the Northwest, will likely result in strong levels of employment growth in the area over the long term.

The graph below illustrates total non-farm employment growth per year for the Seattle CBSA and the United States:

TOTAL EMPLOYMENT GROWTH BY YEAR
Seattle CBSA vs. United States, 2007-2022



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

Conclusion

The Seattle CBSA's ascent as a global cloud computing hub will set it apart from other large U.S. metro areas in job and income growth even as labor and housing constraints become more binding. Despite a contracting manufacturing base, rapid growth in software and IT services will secure the economy's status as one of the most vibrant in the West and the U.S. Strong levels of growth across the metro area employment sectors over the past year indicate that local employers are more optimistic about business conditions in the near future, and a variety of high-wage employment opportunities should continue to draw a steady influx of skilled labor to the metro area.

Seattle Office Market Analysis

Introduction

Current Trends

The Seattle-Bellevue Office market expanded through first quarter 2018 with several construction completions and strong leasing activity although overall asking rates decreased slightly from the previous quarter. The Seattle area continued to quickly absorb new office space, as net absorption reached nearly 1.9 million square feet (msf). This was in-line with the record levels experienced over the last two years due to the high volume of construction to reach the market. Many companies in the Seattle area are choosing to move into or grow in the Seattle and Bellevue central business district (CBD). High levels of absorption, low vacancy, and a boom in construction activity are all indicators of a preference for space in urban submarkets. There is 3.7 msf of office space under construction in the Seattle CBD and In-City markets and 1.4 msf in Non-CBD markets. In 2017, the majority of new office construction in the CBD was located in the Lower Queen Anne/Lake Union and Financial District submarkets. In first quarter 2018, new office construction occurred in the Pioneer Square/Int'l District submarket. Moving forward, employment growth in office-using industries is expected to increase at an average rate of 1.1 percent annually through 2020, fueling demand for office space in the near term. Office-using businesses in the Seattle-Bellevue area benefit from a well-educated workforce, a favorable cluster of private sector industries, and strong population growth trends, all of which should enable the local office market to be an above-average performer in the long term.

Listed below are highlights of the Seattle-Bellevue office market through first quarter 2018

- The Seattle overall office vacancy rate increased 40 basis points quarter-to-quarter to 8.1 percent in first quarter 2018, the same rate reported a year ago.
- The overall average asking rent in the Seattle CBD and In-City office markets decreased in first quarter 2018 to $39.77 psf, which was $0.49 psf lower than a year ago.
- The overall average asking rent in the Eastside Suburban office submarket increased in first quarter 2018 from $32.25 to $32.59 per square foot at year end 2017.
- After reaching a ten year high in office leasing activity of 9.4 million square feet in 2017, the Seattle office area continued to record lease signings at a robust rate recording over 2.3 million square feet of leasing activity in first quarter 2018.
- The Seattle-Bellevue area recorded almost 1.9 msf of positive absorption through first quarter 2018, up 933,287 square feet, year-over-year.
- Expedia announced that it will move 3,000 employees from Bellevue to Amgen's former Interbay campus. They plan to expand the current 750,000 square foot campus to 1.9 msf. The project will add 1.2 million square feet of office space and be completed by 2019.
- Hines plans to develop a 17-story office tower, Summit III, adding to Summit I and Summit II. The development could house up to 4,000 new employees and construction is estimated to begin by summer 2018.
- Microsoft is undergoing a massive renovation and expansion, adding 2.5 msf in new construction and renovating another 6.7 msf. The total expansion will add about 1.3 msf to the 10.0 million square foot campus. Upon completion Microsoft will have room for 8,000 additional employees, adding to its 47,000 person headcount. Construction is underway and is scheduled for completion in 2023.

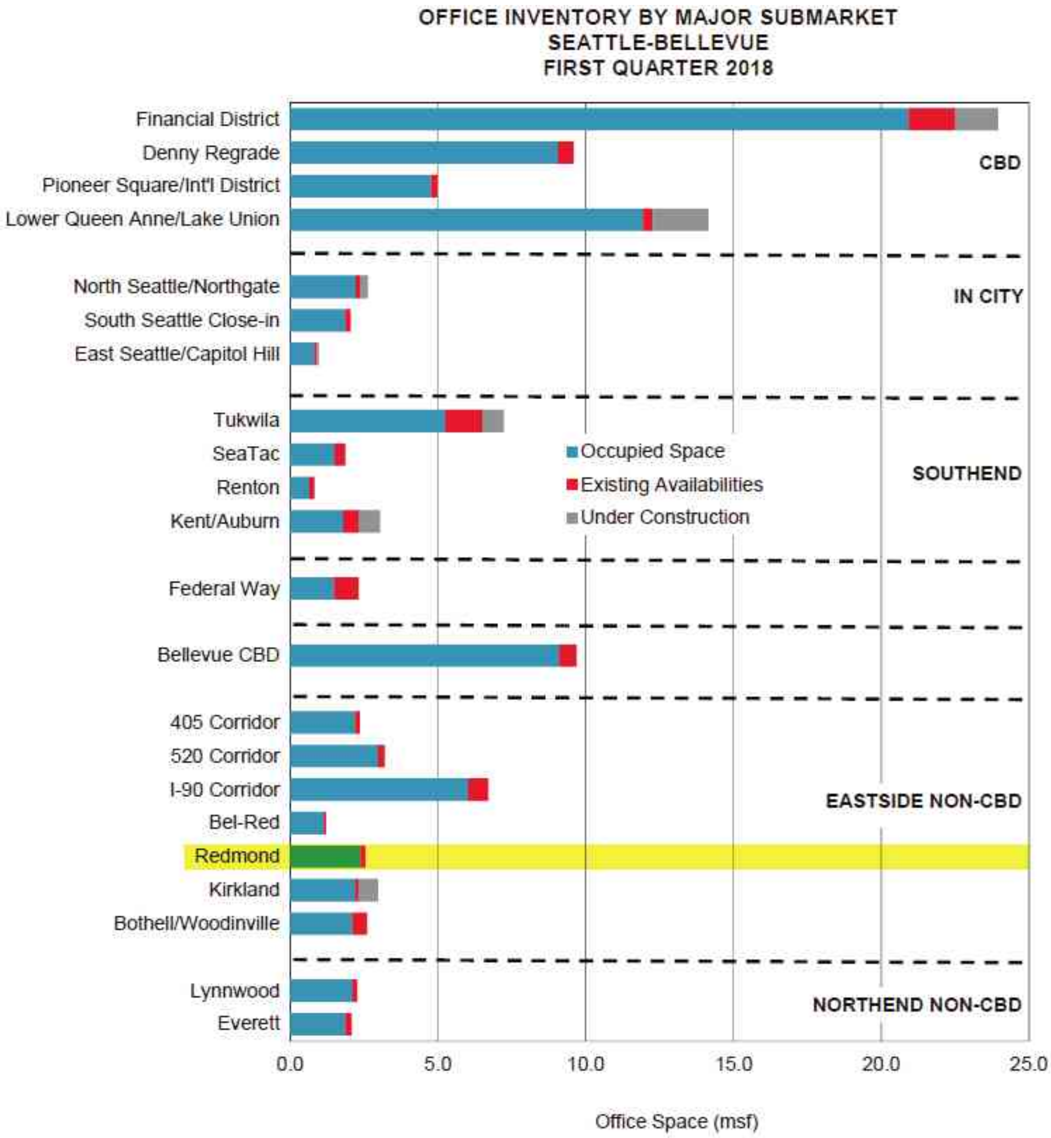
Market Characteristics

The Seattle-Bellevue office market contains over 98.4 msf of office space. The Seattle-Bellevue office market encompasses the greater Seattle area, bordered by the Puget Sound to the west, spanning east to Redmond, reaching north to Everett and south to Auburn. Just over 55.5 percent (54.6 msf) of the total office space is located in the Seattle CBD and In-City markets. The CBD includes the Financial District, Denny Regrade, Pioneer/International District and Lower Queen Anne/Lake Union submarkets.

Further considerations are as follows:

- Of all the office submarkets in the Seattle area, the Financial District submarket in the Seattle CBD has the largest inventory, at 22.5 msf. On the other end of the spectrum, the SeaTac submarket in the Southend market has the smallest inventory at only 818,125 square feet.
- The Seattle CBD and In-City markets contains over 54.6 msf of office space, 90.3 percent of which is located in the Seattle CBD. The Seattle CBD has the largest office inventory of the five major markets in the Seattle-Bellevue area at 49.3 msf, while the Northend market has the smallest office inventory with 4.4 msf.

The following is a graph detailing the Seattle office market inventory by submarket:



Source: Cushman & Wakefield Research; compiled by C&W V&A

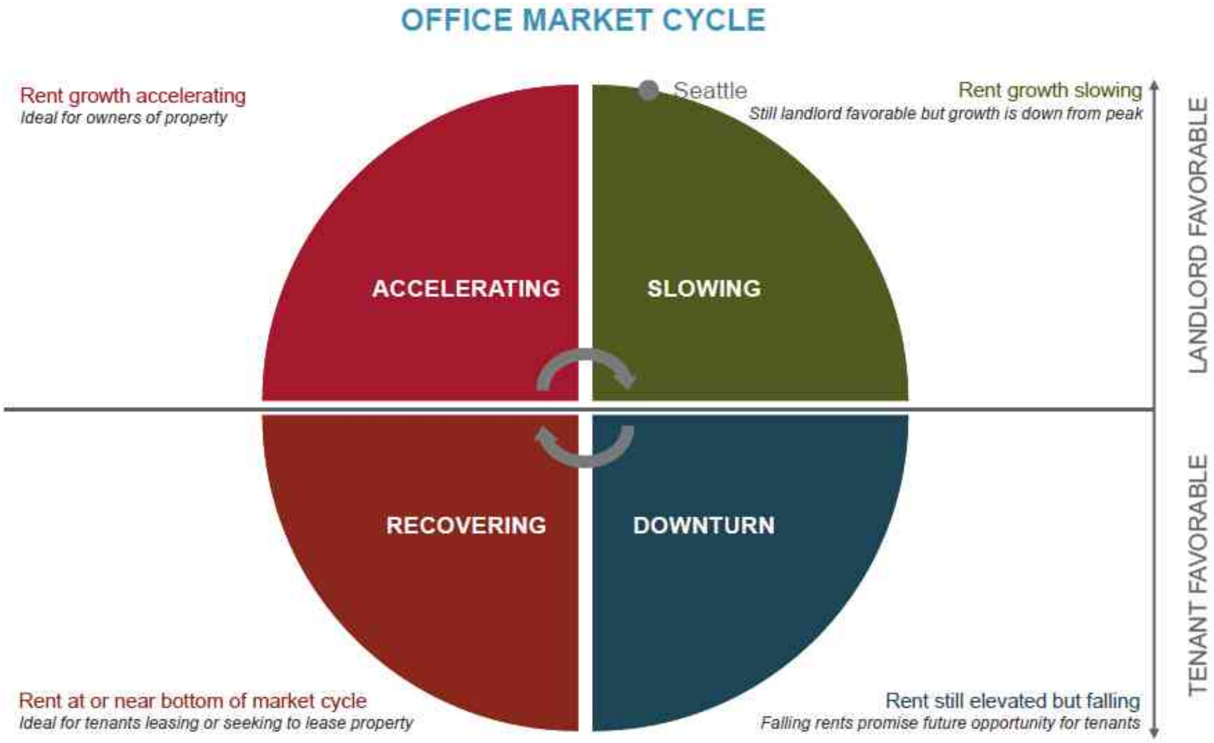
The following table is a compilation of the Seattle-Bellevue office market statistics by submarket:

Office Market Statistics by Submarket
Seattle - Bellevue
First Quarter 2018

Market/Submarket	Inventory	Overall Vacancy	Direct Vacancy	YTD Construction Completions	YTD Overall Absorption	Under Construction	Direct Wtd Avg Class A Asking Rent	Overall Wtd Avg Asking Rent
			CBD					
Financial District	22,505,289	7.0%	5.6%	0	1,038,732	1,447,802	$50.24	$43.08
Denny Regrade	9,596,241	5.5%	5.3%	0	33,259	0	$50.98	$40.69
Pioneer Square/Int'l District	4,971,839	4.3%	3.7%	208,840	17,590	0	$50.00	$39.30
Lower Queen Anne/Lake Union	12,267,930	2.6%	1.9%	0	341,182	1,883,907	$47.43	$31.66
CBD TOTAL	**49,341,299**	**5.4%**	**4.5%**	**208,840**	**1,430,763**	**3,331,709**	**$50.17**	**$40.91**
			IN CITY					
North Seattle/Northgate	2,362,914	6.2%	4.6%	0	(12,700)	268,750	$31.84	$30.39
South Seattle Close-in	2,048,741	9.2%	8.1%	0	6,099	0	$41.69	$35.66
East Seattle/Capitol Hill	886,995	8.2%	7.6%	0	9,340	71,564	$0.00	$27.79
IN CITY TOTAL	**5,298,650**	**7.7%**	**6.4%**	**0**	**2,739**	**340,314**	**$36.48**	**$32.36**
CBD & IN CITY TOTAL	**54,639,949**	**5.6%**	**4.7%**	**208,840**	**1,433,502**	**3,672,023**	**$48.87**	**$39.77**
			SOUTHEND					
Tukwila	1,869,876	18.7%	18.0%	0	(10,690)	0	$27.21	$24.82
SeaTac	818,125	20.8%	20.8%	0	37,371	0	$25.05	$24.42
Renton	2,315,392	22.6%	20.3%	0	(120,752)	728,769	$29.13	$26.90
Kent/Auburn	1,504,312	13.3%	13.3%	0	(24,364)	0	$25.77	$24.33
SOUTHEND TOTAL	**6,507,705**	**19.1%**	**18.1%**	**0**	**(118,435)**	**728,769**	**$27.67**	**$25.56**
FEDERAL WAY	**2,317,497**	**36.2%**	**36.2%**	**0**	**42,054**	**0**	**$25.57**	**$25.46**
SEATTLE/SOUTH KING COUNTY TOTAL	**63,465,151**	**18.2%**	**16.8%**	**208,840**	**1,357,121**	**4,400,792**	**$31.15**	**$33.99**
BELLEVUE CBD TOTAL	**9,692,794**	**5.9%**	**4.8%**	**0**	**132,533**	**0**	**$45.70**	**$43.54**
			EASTSIDE SUBURBAN					
405 Corridor	2,351,494	6.2%	3.0%	0	21,388	0	$36.62	$29.41
520 Corridor	3,196,143	7.1%	6.3%	0	16,445	0	$35.44	$35.00
I-90 Corridor	6,716,041	10.3%	9.6%	0	(74,708)	0	$35.37	$34.02
Bel-Red	1,212,290	5.3%	5.3%	0	(221)	0	$0.00	$28.90
Redmond	2,543,961	6.7%	6.0%	0	194,426	0	$33.82	$32.82
Kirkland	2,308,602	4.2%	3.1%	0	57,817	660,000	$43.03	$33.32
Bothell/Woodinville	2,596,230	19.1%	16.6%	0	151,488	0	$34.28	$30.72
EASTSIDE SUBURBAN TOTAL	**20,924,761**	**9.1%**	**7.8%**	**0**	**366,635**	**660,000**	**$35.47**	**$32.59**
EASTSIDE TOTAL	**30,617,555**	**8.0%**	**6.9%**	**0**	**499,168**	**660,000**	**$40.35**	**$35.13**
			NORTHEND					
Lynnwood	2,269,769	6.5%	6.4%	0	21,497	0	$32.95	$29.86
Everett	2,085,677	10.2%	10.2%	0	15,959	0	$0.00	$23.82
NORTHEND TOTAL	**4,355,446**	**8.2%**	**8.2%**	**0**	**37,456**	**0**	**$30.39**	**$26.29**
NON-CBD TOTAL	**43,798,203**	**11.2%**	**10.2%**	**0**	**460,243**	**1,388,769**	**$33.10**	**$30.40**
SEATTLE-BELLEVUE TOTAL	**98,438,152**	**8.1%**	**7.1%**	**208,840**	**1,893,745**	**5,060,792**	**$39.93**	**$34.27**

Source: Cushman & Wakefield Research; compiled by C&W V&A

The following chart depicts the relative position of the Seattle markets in the office market cycle. As shown, Seattle is considered to be in a slowing trend.



Source: Cushman & Wakefield Research and Cushman & Wakefield Western, Inc.

Conclusion

The Seattle-Bellevue office market continued to experience strong growth through first quarter 2018, as the outlook for office market conditions remain positive. Despite the high volume of construction deliveries over the last two years, the vacancy rate has steadily decreased since the end of 2015, reaching 7.7 percent by the end of 2017. Although, the vacancy rose slightly in first quarter 2018 to 8.1 percent. The Seattle office market continued to record lease signings at a rapid pace in first quarter 2018. With several construction deliveries throughout the year, the area hit a ten year high. Office construction activity was primarily concentrated in the Seattle and Bellevue central business districts, suggesting that developers are confident about future demand for office space in these markets. With a large undersupply of office space and a low vacancy rate, the Seattle office market is expected to remain strong over the next few years.

Final considerations regarding the Seattle-Bellevue office market are as follows:

- The low vacancy rates and high levels of construction activity indicate that developers are confident that demand for additional office space will remain strong in the near term, especially in the central business district. However, the delivery of a large amount of new office product may put upward pressure on the vacancy rate as new space is delivered over the next three years.
- Projections for strong levels of office employment growth over the next several years should allow the Seattle office market to maintain a positive trajectory in the near term. Furthermore, Seattle’s position as a technology hub should continue to support business investment and expansion in the Seattle-Bellevue office market over the long term.

Eastside Suburban Office Market

Market Characteristics

The Eastside Suburban office market of Seattle is located northeast of the CBD and contains approximately 20.9 million square feet of office space, accounting for 21.3 percent of Seattle-Bellevue's total office inventory. Approximately 41.9 percent of the Eastside Suburban market's office inventory is classified as Class A, representing 14.5 percent of the region's Class A space. Class B inventory accounts for approximately 51.7 percent of office space in the Eastside Suburban office market. The Eastside Suburban office market is comprised of seven distinct submarkets including the 405 Corridor, the 520 Corridor, the I-90 Corridor, Bel-Red, Redmond, Kirkland and Bothell/Woodinville. The I-90 Corridor is the largest submarket within the Eastside Suburban Market, with 6.7 million square feet of office inventory.

Current Trends

Seattle's office market fundamentals have been propelled by activity in the CBD in recent years, but the Eastside Suburban market is quickly gaining steam behind strong leasing activity, consistently positive net absorption and dropping overall vacancy rates. The region's accessibility, via a strong network of interstates and public transportation infrastructure, proximity to the CBD and relative affordability have supported improving market fundamentals through early 2018.

Stable vacancy rates, which dropped 30 basis points from the previous quarter, positive net absorption and steady rent increases have driven developer confidence through the start of the year. As of the first quarter of 2018, the Eastside Suburban office market reported no new construction completions but held 660,000 square feet of new inventory in the pipeline, supplied by the Urban Kirkland development under construction.

Through the near term, the Eastside Submarket is expected to sustain its momentum behind strong leasing activity and stable market fundamentals. While investment in the Urban Kirkland development demonstrates rising developer confidence, relatively slow construction trends will moderate supply levels through the near term and push prospective tenants to absorb existing availabilities.

The following charts summarize recent trends in the Eastside Suburban office market:

Eastside Suburban Office Market 2008 - 2020								
Period	Inventory	Overall Vacancy Rate	YTD Const. Completions	YTD Net Absorption	Class A Rent	Class B Rent	Overall Avg. Asking Rent	YTD Leasing
2008	19,141,965	13.7%	1,124,035	78,980	$36.09	$29.59	$32.29	1,440,320
2009	19,299,690	17.6%	117,277	(413,625)	$29.13	$24.24	$26.71	1,016,571
2010	19,183,635	16.4%	284,985	240,837	$28.65	$24.62	$25.91	1,664,618
2011	19,054,040	13.6%	165,320	703,383	$29.07	$24.82	$25.41	1,326,045
2012	19,205,549	12.6%	7,607	204,523	$29.39	$25.78	$26.85	1,163,075
2013	19,232,007	13.4%	19,000	(163,263)	$30.05	$26.65	$27.78	1,457,091
2014	19,231,977	10.2%	0	625,949	$30.86	$28.33	$28.61	2,434,282
2015	19,231,977	8.2%	0	396,292	$34.45	$30.79	$31.28	2,348,915
2016	21,254,377	9.1%	180,000	180,384	$34.32	$30.88	$31.82	1,520,947
2017	21,254,377	9.4%	0	(68,082)	$35.27	$30.66	$32.25	1,433,386
1Q 2018	20,924,761	9.1%	0	366,635	$35.02	$31.69	$32.59	823,447
2018	25,390,149	9.5%	203,227	129,328	N/A	N/A	$33.52	N/A
2019	25,904,228	9.8%	514,079	400,481	N/A	N/A	$34.77	N/A
2020	25,904,228	10.4%	0	(161,901)	N/A	N/A	$34.83	N/A

Source: Cushman & Wakefield Research; compiled by C&W V&A

Eastside Office Submarkets First Quarter 2018									
Submarket	Inventory	Overall Vacancy Rate	YTD Const. Completions	Under Construction	YTD Net Absorption	Class A Rent	Class B Rent	Overall Avg. Asking Rent	YTD Leasing
405 Corridor	2,351,494	6.2%	0	0	21,388	$36.55	$30.56	$29.41	43,639
520 Corridor	3,196,143	7.1%	0	0	16,445	$35.82	$32.04	$35.00	79,629
I-90 Corridor	6,716,041	10.3%	0	0	(74,708)	$34.61	$32.64	$34.02	284,317
Bel-Red	1,212,290	5.3%	0	0	(221)	N/A	$31.87	$28.90	79,892
Redmond	2,543,961	6.7%	0	0	194,426	$36.77	$32.01	$32.82	137,710
Kirkland	2,308,602	4.2%	0	660,000	57,817	$44.20	$27.69	$33.32	65,245
Bothell/Woodinville	2,596,230	19.1%	0	0	151,488	$32.28	$29.54	$30.72	133,015

Source: Cushman & Wakefield Research; compiled by C&W V&A

Supply Analysis

Vacancy

From 2010 through 2015, the Eastside Suburban office market's overall vacancy rate assumed a downward trend in response to improving economic conditions and strong employment growth. Since 2015, the market's overall vacancy rate has experienced slight quarter-to-quarter volatility but settled at a recent low of 9.1 percent through first quarter 2018. At 9.1 percent, the first quarter overall vacancy rate demonstrated a 30 basis point improvement from the previous quarter and 10 basis point increase year-over-year. The market's overall vacancy trends have been supported by strong leasing activity and a relative lack of speculative construction, which historically inflates numbers upon delivery. Strong demand is expected to persist through the remainder of 2018.

Further considerations on vacancy in the Eastside Suburban office market include:

- The Kirkland submarket recorded the lowest overall vacancy rate in the Eastside Suburban office market in first quarter 2018 at 4.2 percent. Year-over-year, the Kirkland submarket reported a 1.6 percentage point improvement in its overall vacancy rate. In contrast, the Bothell/Woodinville submarket held the highest vacancy rate among the submarkets of the Eastside Suburban office market at 19.1 percent in first quarter.
- The overall vacancy rate for Class A office space in the Eastside Suburban market was 6.1 percent in first quarter 2018, which was 5.6 percentage points lower than the rate for Class B office space of 11.7 percent.

The following graph details historic vacancy and rental rate trends in the Eastside Suburban office market:

Asking Rents

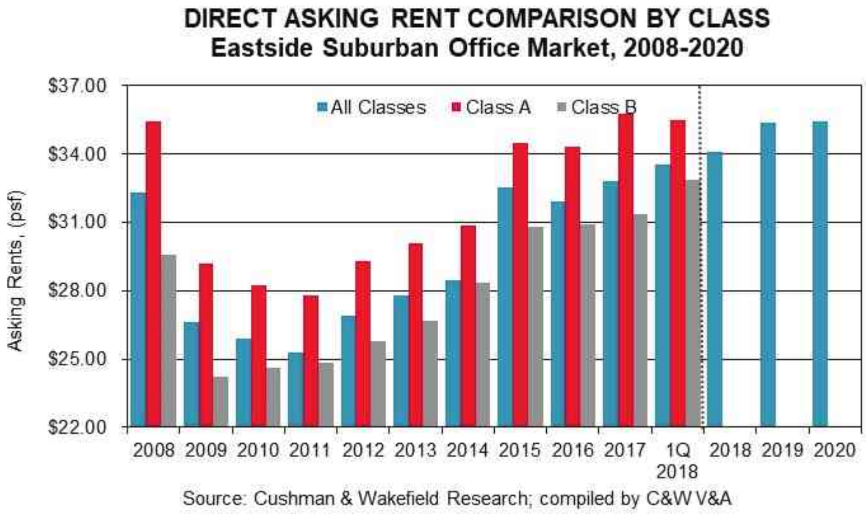
Asking rents in the Eastside Suburban market have historically exceeded the asking rents of other suburban office markets in the Seattle area, but have trended below asking rents in the Seattle CBD and Bellevue CBD. Low occupancy and relatively weak demand for office space during the last major office market downturn drove the overall average asking rent to a low of $25.41 per square foot (psf) in 2011. Since reaching a low in 2011, the asking rents in the Eastside Suburban market have consistently increased and are nearing pre-recession highs.

The overall average asking rent for space in the Eastside Suburban office market increased $0.90 psf year-over-year and $0.34 psf from the previous quarter to $32.59 psf in first quarter 2018. A relatively low inventory of available office space and strong demand in the Seattle-Bellevue area should encourage asking rent growth in the near term, which may boost asking rents to surpass pre-recession highs.

Additional considerations include:

- The overall average asking rent for office space in the Eastside Suburban market was $1.68 psf lower than the average rate of $34.27 psf recorded across the Seattle-Bellevue office market in first quarter 2018.
- During first quarter 2018, the 520 Corridor submarket recorded the highest overall average asking rent in the Eastside Suburban office market, with a rate of $35.00 psf. The 520 Corridor's overall average asking rent benefitted from strong leasing activity through the first quarter. The I-90 Corridor submarket reported the second highest overall average asking rent of first quarter 2018 at $34.02 psf.

The following graph compares direct asking rents by class in the Eastside Suburban office market:



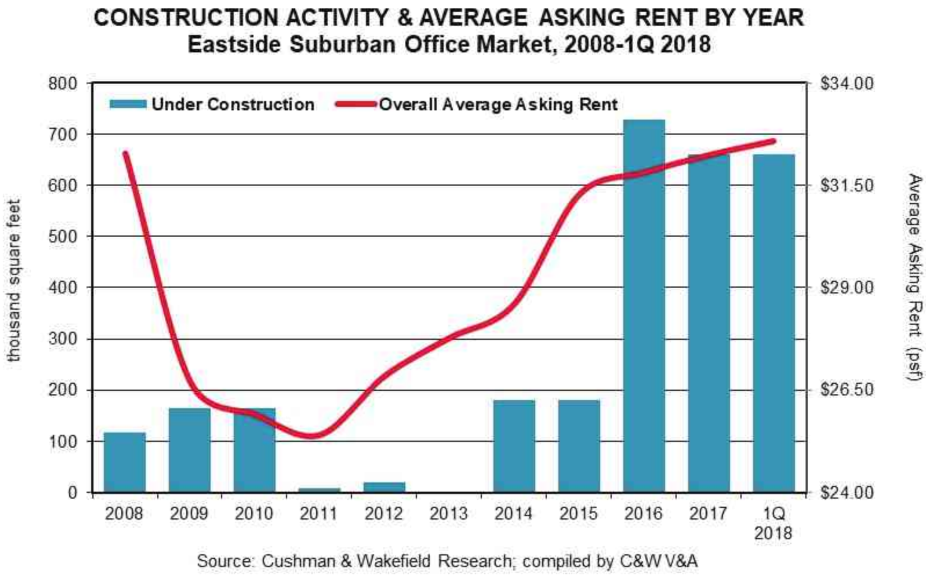
Construction

With only one new office building being delivered to the market since 2013, construction activity has been relatively low in the Eastside Suburban market for several years; however, a recent influx of construction activity has begun in the Eastside market. The Kirkland submarket remains one of the most active submarkets on the eastside, with 180,000 square feet of office space delivered in 2016 and another 660,000 square feet under construction in first quarter 2018. A total of 660,000 square feet is under construction in the east side, which is the highest amount of construction activity in the market since 2008. The low level of available space and relatively high asking rents have encouraged the recent office development, especially as demand for office space is likely to remain strong through the 2018 due to steady employment growth in office-using sectors across the Seattle area. Thus, the Eastside Suburban appears well positioned to experience a similar boom in construction activity as the Seattle or Bellevue CBDs in the near term.

Further considerations include:

- The most recent construction completion in the Eastside Suburban office market was the 180,000 square foot Google Campus – Phase II building in the Kirkland submarket. The building was completed in the third quarter of 2016 and was the third office building above 100,000 square feet delivered to the Eastside market since 2011. Google's campus in Kirkland is the company's third largest engineering center in the U.S., employing nearly 600 of the company's 1,000 employees in the Puget Sound area. The new building is expected to accommodate an additional 900 employees.
- As of first quarter 2018, the Eastside Suburban market had 660,000 square feet of new office inventory in the construction pipeline. The entire pipeline will be provided by the 1.2 million square foot mixed-use Urban Kirkland development, which will include office, retail, residential and entertainment space. The development will raise three separate mixed-use office buildings, each spanning 220,000 square feet for a total office footprints of 660,000 square feet. The three office buildings are expected to deliver in fourth quarter 2018.

The following graph details construction activity trends in the Eastside Suburban office market:



Demand Analysis

Leasing Activity

Leasing activity in the Eastside Suburban office market from 2014 through 2015 was exceptionally high, exceeding 2.0 million square feet of leasing in both years, the two highest years of leasing activity since 2008. The strong leasing activity tempered in 2016, dropping to a total of 1.5 million square feet of leasing activity. Through first quarter 2018, the market is on track to find the momentum it held in 2014 and 2015 with 823,447 square feet of recorded leasing activity. Through the start of the year, the Eastside Suburban market's leasing activity outpaced first quarter 2017's total by more than 500,000 square feet as the result of several mid and large-scale lease transactions. Developments currently under construction and strong demand for new office space to maintain strong leasing activity in the near term.

Further considerations on leasing activity include:

- First quarter leasing activity in the Eastside Suburban market was strongest in the I-90 Corridor submarket, the Eastside's largest submarket. I-90 Corridor's first quarter leasing total reached 284,317, accounting for 34.5 percent of the market's year-to-date total. The submarket's leasing activity was propelled by Costco's signing for 97,190 square feet at Sammamish Park Place.
- The Kirkland Urban development has three mixed use building with over a total of 400,000 square feet available to lease before it is completed by the end of the 2018, indicating the Kirkland submarket will continue to experience high leasing activity in the near term. Kirkland's first quarter leasing total was 65,245 square feet, but that number is forecast to climb significantly through the remainder of 2018.
- The Eastside Suburban market's two largest leases of first quarter were renewals signed by Microsoft for a combined 219,600 square feet of office inventory in the Redmond submarket. Microsoft signed two leases at Redmond Town Center in first quarter, for 120,324 square feet in Building 4 and 99,276 square feet in Building 5. The largest new lease transaction of first quarter was Costco Wholesale Corporation's claim of 97,190 square feet at Sammamish Park Place in the I-90 Corridor.

The following table details recent major lease transactions in the Eastside Suburban office market:

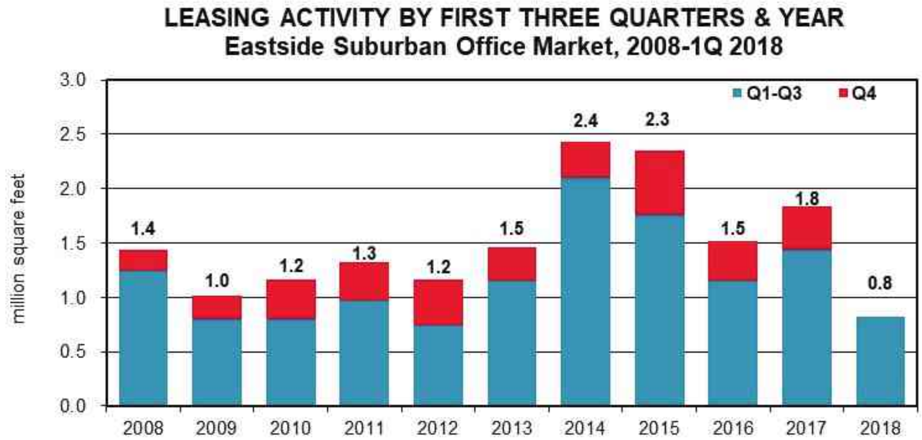
Significant Lease Transactions
Eastside Office Market
First Quarter 2018

Building	Submarket	Tenant	SF Leased
Redmond Tow n Center - Building 4*	Redmond	Microsoft	120,324
Redmond Tow n Center - Building 5*	Redmond	Microsoft	99,276
Sammamish Park Place - Building A	I-90 Corridor	Costco Wholesale Corporation	97,190
Parklands North Creek - Building O	Bothell/Woodinville	Puget Sound Energy	96,509
Redmond Tow n Center - Building 3	Redmond	Microsoft	82,677

*Renewal: Not included in leasing activity statistics

Source: Cushman & Wakefield Research; compiled by Cushman & Wakefield Valuation & Advisory

The following chart shows recent leasing activity trends for the Eastside Suburban office market:



Source: Cushman & Wakefield Research; compiled by C&W V&A

Historical Net Absorption

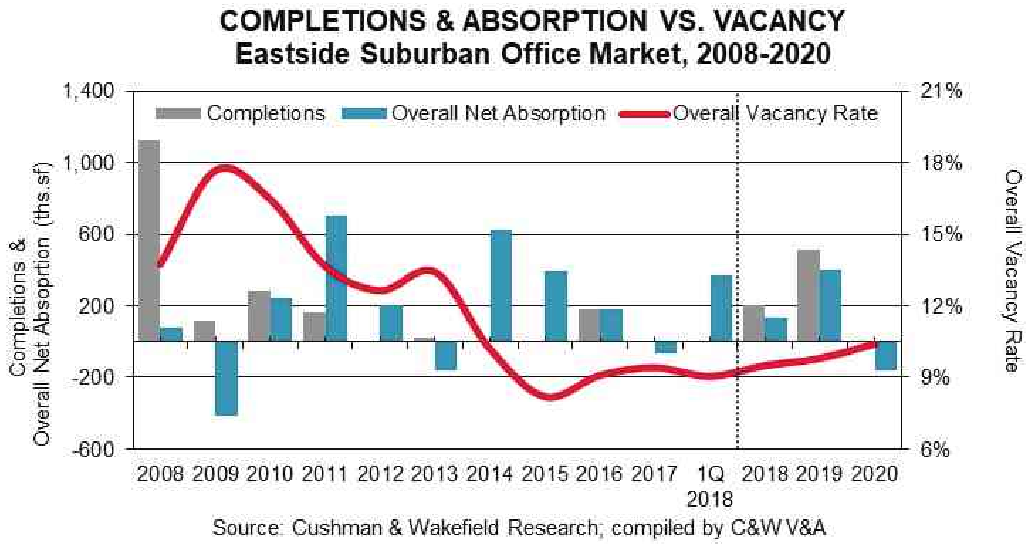
Corresponding with low demand for office space and a peak in the Eastside Suburban overall vacancy rate, net absorption reached its lowest level over the last ten years at negative 413,625 square feet in 2009. Helping to absorb the region's high level of available space over the next few years, annual net absorption recovered to a five-year high of 703,383 square feet by 2011. However, net absorption trends were relatively volatile over the next few years, falling to negative 163,263 square feet by the end of 2013, followed by a strong rebound of 625,950 square feet in 2014, then two years of declining absorption in 2015 and 2016.

The Eastside Suburban office market closed 2017 in the red, with a negative net absorption of 68,082 square feet. The market's first quarter 2018 overall net absorption demonstrated a significant improvement over recent quarters, with 366,635 square feet taken off of the market. Net absorption was supported through the start of the year by the summation of mid-scale lease transactions, limited relocations and consolidations within the market and lack of speculative construction deliveries.

Additional considerations include:

- Two of the seven submarkets in the Eastside Suburban market recorded a year-to-date negative absorption. The I-90 Corridor submarket recorded a negative net absorption of 74,708 square feet in first quarter, which was the lowest year-to-date net absorption in the Eastside Suburban market.
- The Redmond submarket led the market's absorption through first quarter 2018, with 194,426 square feet taken off of the market. The submarket's positive absorption was aided by relatively strong leasing activity through first quarter.

The following graph compares historic completions, absorption, and vacancy trends in the Eastside Suburban office market:



Conclusion

Seattle's Eastside Suburban office market has historically been among the most active in the region due to its relatively large inventory of office space. In addition to being the largest suburban office market in the Seattle area, the Eastside Suburban office market was one of the strongest performing submarkets in first quarter with net absorption holding firmly in the black, rents trending positively and leasing activity on track for a record year.

Final considerations regarding the Eastside Suburban office market are as follows:

- Despite office rents rising in the Eastside Suburban market over the past few years, the overall average asking rent for office space was lower in the Eastside Suburban market than the average rent across the greater Seattle-Bellevue area in first quarter 2018. The Eastside Suburban market contains a large supply of more affordable Class A inventory than the Seattle CBD or the Bellevue CBD, which should be attractive to tenants seeking lower rents for high quality space. Although high levels of office construction in the Seattle and Bellevue CBDs indicate a preference for central city office space, lower rents will give the Eastside Suburban office market a competitive advantage versus the Seattle and Bellevue central business districts moving forward.
- The Eastside market construction activity is at a post-recession high in first quarter 2018, with the most square feet under construction since 2008. The entirety of office space under construction is occurring in the Kirkland submarket, due to the Urban Kirkland mixed use buildings under construction, which when completed will total 660,000 square feet. The high amount of construction, is an indicator of developers' confidence in demand for new office space in the Eastside market

Seattle Office Investment Sales Market

According to Real Capital Analytics, 170 office sale transactions closed in the 12 months ending March 2018, with a total volume of $4.2 billion, averaging a price of approximately $356 per square foot. The 170 buildings total 11.9 million square feet. Cap rates for this period averaged 5.9 percent, with an average of 6.2 percent reported for the first quarter of 2018. As shown in the following graphic, prices for the selected filters (Seattle Metro Market) have generally trended upward since late 2013 and have remained above the benchmark (United States) averages. Capitalization rates have trended downward during this period and have remained consistently below national averages.

Source: *Real Capital Analytics*

City of Redmond

The seventh most populous city in King County and the eighteenth most populous city in the state, with a population of approximately 66,000 in 2018, Redmond is located at the heart of the Eastside market area. Downtown Bellevue is approximately eight miles to the southwest and the Seattle central business district is approximately 15 miles to the southwest. Redmond is well known as a center of technology, anchored by the world headquarters of Microsoft. Other major technology firms with a presence in Redmond include Nintendo USA, Google, Tableau Software, Honeywell, AT&T and Oculus VR. There are an abundance of retail amenities within Redmond including Redmond Town Center, an open air regional shopping, dining and entertainment venue. In addition, the downtown Redmond area continues to experience significant multifamily residential development with more than 2,700 units scheduled for delivery in 2018 and 2019.

Due to its location at the center of the Eastside market area, and the presence of Microsoft, Redmond has been one of the best performing office markets in the Seattle region for many years. This continues to be the case as demonstrated by almost 195,000 square feet of net absorption in the first quarter of 2018, and a vacancy rate of 6.7 percent, which is amongst the lowest of the Eastside Suburban submarkets. With no new office construction underway or planned for the immediate future, the scarcity of developable land in the area, and the forecast for continued job growth, the near and mid-term outlook for the Redmond market is positive.

Subject Property

The Westpark Portfolio is located along 154th Avenue NE, south of NE 90th Street, in the Redmond Willows neighborhood of Redmond. The property is situated in the Redmond submarket of Seattle's Eastside Suburban office market, both of which have been analyzed in previous sections. The Microsoft headquarters campus is located approximately 2.5 miles to the south, in southern Redmond, and the Seattle central business district is situated ten miles to the southwest.

The subject is a 21-building Class B business park that contains 782,035 square feet of rentable area. The property is a 41.26-acre site that is improved with a mix of one- and two-story buildings. The buildings, which were built between 1984 and 1992, are considered to be of average quality and to be in good condition for its vintage. Office buildout is approximately 73 percent, with the remaining 27 percent is use as flex warehouse space.

The subject is currently approximately 85 percent occupied by more than 100 individual tenants with no single tenant occupying more than four percent of the property. Based upon the current rent roll and our projection of absorption of vacant space, leases for approximately 126,000 square feet of space expire annually over the next ten years, ranging from seven percent of rentable area to slightly more than 35 percent. This is considered to be typical rollover exposure for a property of this type. The subject is not currently at stabilized occupancy but a significant amount of leasing activity has been completed in the past year. Further, the leasing brokers report that a significant lease, which will raise occupancy to almost 100 percent, is very likely to be completed in the near term.

Neighborhood Analysis

Location Overview

The property is located in central Redmond, in the Eastside market area. The Eastside generally consists of property east of Lake Washington such as Bellevue, Redmond, Issaquah, Kirkland, etc. The subject is within the Willows neighborhood of the Redmond submarket. Generally, the boundaries of the Willows area are the Sammamish River to the east, the Willows Road corridor to the west, Redmond Way to the south and Willows Run Golf Course to the north. The subject property is less than two miles northwest of downtown Redmond, eight miles northeast of downtown Bellevue and 15.5 miles northeast of downtown Seattle.

Neighborhood Characteristics

The subject is located in a cluster of suburban business parks that are characterized by a significant quantity of high-tech and incubator office/warehouse space in addition to traditional office space. The high-tech and flex components are generally over and above the standard distribution or warehousing space found to the north in the Everett area and to the south in the Kent Valley. The Willows area is surrounded by a variety of uses including residential, recreational, office and light industrial/flex.

Access

Local area accessibility is generally good, relying on the following transportation arteries:

Local: The primary north/south roadways in the immediate area are Willows Road NE which is located just west of the subject, and Redmond-Woodinville Road NE, which defines the eastern boundary of the neighborhood. The primary east/west roadway is Redmond Way which is located just to the south of the subject and provides direct access to downtown Redmond.

Regional: Major roads in the immediate area include State Highway 520; State Highway 202 (Woodinville-Redmond Road); and Interstate 405. These roadways provide extensive linkages and easy accessibility to surrounding market areas. Access to State Highway 520 is approximately one mile to the southeast of the subject via West Lake Sammamish Parkway NE.

Adjacent uses to the Subject

North: Light industrial/flex and low-rise office uses.

West: Light industrial/flex and multifamily residential.

South: Multifamily residential.

West: Office and multifamily residential.

Special Hazards or Adverse Influences

We observed no detrimental influences in the local market area, such as landfills, flood areas, noisy or air polluting industrial plants, or chemical factories.

Conclusion

The subject property is located in one of a handful of clusters of business parks within the City of Redmond. This cluster is surrounded by a wide combination of uses including recreational (Willows Run Golf Course), business parks, and residential uses. Its close-in location to Redmond and good access to major transportation corridors explains the diverse makeup of the area, being attractive to residents, employees and businesses.

Competitive Market Survey – Micro Market

In order to gain a better understanding of the market conditions specific to the subject property, we conducted a survey of those buildings that would be considered competitive to the subject. Please note that due to the number of properties in the market this is a sampling of properties rather than the complete set.

Micro Market Snapshot

We have identified office and flex buildings with the following characteristics as the being competitive with the subject's.

- Multi-building Class B business parks built between 1975 – 2000
- Located within the Redmond micro market.

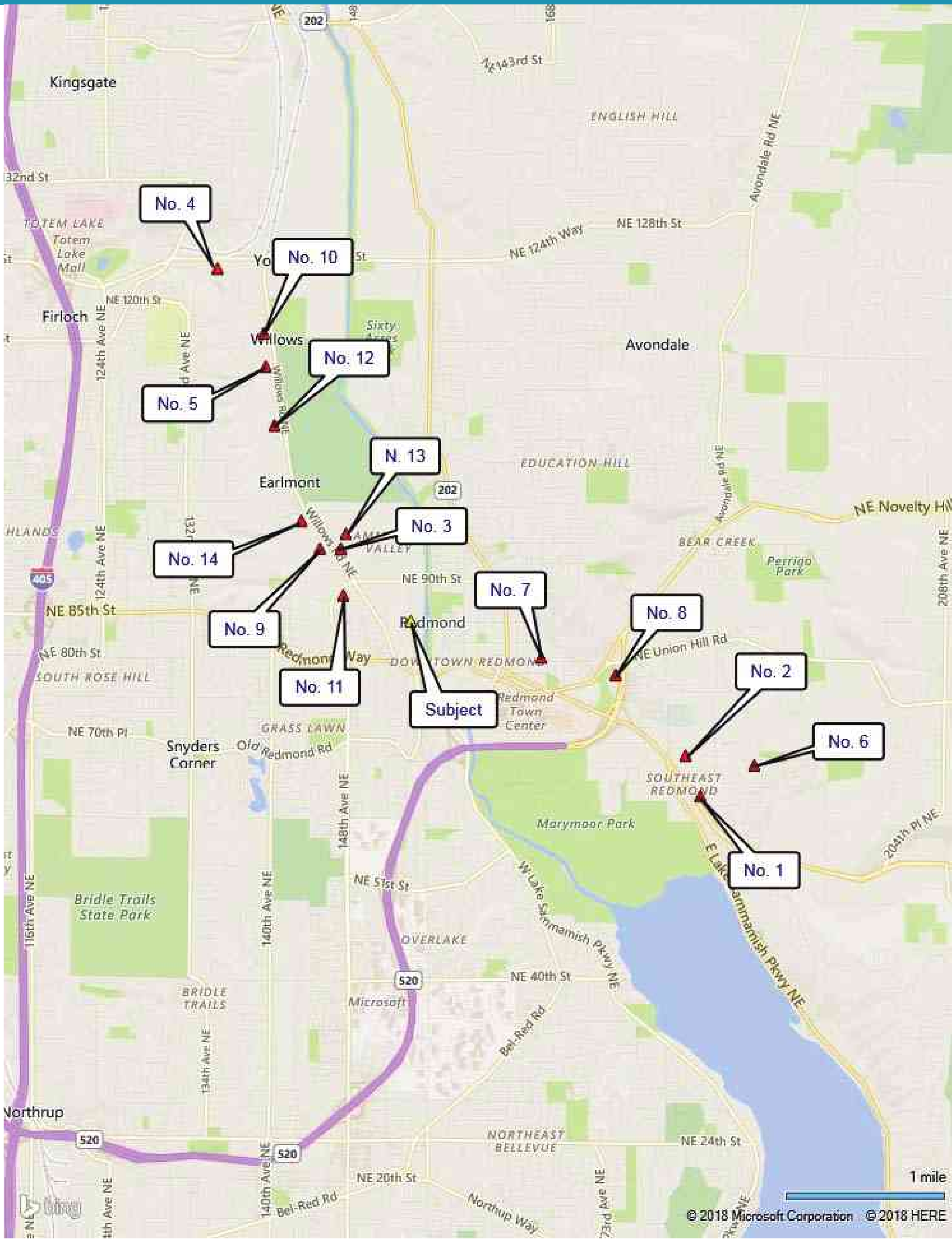
The following table contains the results of a CoStar Group and Cushman & Wakefield survey of competitive business parks in the Redmond submarket. These properties are similar in terms of location, physical attributes, and access to amenities.

COMPETITIVE MICRO MARKET

No.	Name	Address	Parking Ratio	Year Built	Stories	Investment Class	RBA (SF)	Direct Vacant SF	% Leased	Ask Rate/SF (NNN)
S	**Westpark Portfolio**	**154th Avenue NE & NE 85th Street**	**3.00**	**1984 - 1992**	**1 & 2**	**B**	**782,035**	**102,882**	**86.8**	**-**
1	Eastlake Busienss Park	18336-18390 Redmond Fall City Road	3.00	1985	1	B	60,208	0	100.0	-
2	Park East Business Park	18005-18133 NE 68th Street	3.00	1986	1	B	128,396	0	100.0	-
3	Quadrant 95	14671-14799 NE 95th Street	3.50	1986	1	B	39,622	1,872	95%	$24.00
4	Quadrant Center	12208 & 12226 134th Court NE	3.00	1990-1992	1	B	52,015	0	100.0	-
5	Quadrant Willows	11121-11431 Willows Road NE	3.00	1998-2000	1 & 2	B	313,025	0	100.0	-
6	Redmond East Business Campus	185th Avenue NE & NE 67th Street	2.75	1989 - 1996	2	B	373,266	5,168	99.9	$18.00
7	Redmond Office Center	167th Avenue NE & NE 80th Street	4.00	1986-1997	2	B	64,310	1,317	98.0	$29.00
8	Redmond Junction at Bear Creek	17411 & 17425 NE Union Hill Road	4.00	1980 - 1988	2	B	84,965	28,210	66.8	$25.00
9	Redmond West on Willows	9461 - 9523 Willows Road NE	2.50	1996	2	B	116,159	0	100.0	-
10	Sixty Acres Business Park	11601 - 11611 Willows Road NE	3.00	2000	2	B	86,828	0	100.0	-
11	West Willows Technology Center	148th Avenue NE & NE 87th Street	3.00	1984 - 1995	1 & 2	B	316,267	4,437	99.9	$18.50
12	Willows Creek Corporate Center	10525 - 10785 Willows Road NE	3.00	1981 - 1999	2 & 3	B	298,360	0	100.0	-
13	Willows Business Center	14848 - 14930 NE 95th Street	2.75	1989 - 1991	1 & 2	B	122,941	0	100.0	-
14	Willows Commerce Park II	9825 - 9931 Willows Road NE	3.00	1999	2 & 3	B	401,703	11,796	97.1	$14.50
OVERALL STATISTICS INCLUDING SUBJECT										
Low:			2.50	1985	1		39,622	0	1.0	-
High:			4.00	2000	2		782,035	102,882	100.0	-
Average/Total/All Classes:			**3.10**	**1992**	**2**		**216,007**	**10,379**	**94.3**	**-**

FS- 'Full Service Gross (Rental rates reflect averages for all investment classes included in our survey)'
Source: CoStar Goup, Inc. and Cushman & Wakefield of Washington, Inc.

COMPETITION MAP



We surveyed 14 business parks within the Redmond submarket containing approximately 3.2 million square feet of rentable area. The average vacancy in these buildings is 5.7 percent, which is less than the current 9.0 percent rate for the greater Eastside Suburban office market and demonstrates the relative strength of the Redmond submarket.

Asking rates for competitive Class B office space in the area Redmond submarket have recently ranged from approximately $20.00 to $29.00 psf on a triple-net (NNN) basis. A NNN lease structure is defined by market participants as tenants responsible for their pro rata share of operating expenses including real estate taxes, insurance, common area maintenance and utilities. Leases for office space typically include a tenant improvement package ranging from $20.00 to $40.00 psf for a new lease and none to $15.00 psf for a renewal. Lease terms typically include annual escalations of 3.0 percent or $1.00 per square foot. The range in average asking rental rates is primarily based on the property location, the quality and amount of tenant buildout, and other property characteristics.

Asking rates for competitive flex space in the Redmond submarket have recently ranged from $15.00 to $20.00 psf for finished office space and $9.60 to $13.20 psf ($0.80 to $1.10 psf per month) for warehouse space. Leases for flex space typically include a tenant improvement package ranging from $15.00 to $30.00 for a new lease and none to $15.00 psf for a renewal (the tenant improvement allowance is applied to finished office space only). Lease terms typically include annual escalation of $1.00 psf. Similar to Class B office space, the range in average asking rental rates is primarily based on the property location, the quality and amount of tenant buildout, and other property characteristics.

The subject property falls generally in the middle of this set in terms of access to amenities, overall quality/condition, and parking facilities. Accordingly, it commands rents in line with those assumptions.

Market Trends

As reflected by the following table, which includes all Class B office and flex properties in the Redmond submarket as reported by CoStar, market trends reflect a continuous decrease in vacancy over the past four years, as well as a corresponding increase in rental rates. There has not been any development of new office or flex space in the Redmond submarket over this period.

COMPETITIVE MICRO MARKET TRENDS

Period	No. of Buildings	Inventory Square Feet	Vacant Available Sq. Ft.	Percent Vacant Available	Net Absorption Sq. Ft.	Average Asking FS Rent PSF	Deliveries No. of Bldgs.	Deliveries Rentable Sq. Ft.	Under Construction No. of Bldgs.	Under Construction Rentable Sq. Ft.
YTD	155	7,486,579	258,217	3.40%	414,743	$32.16	0	0	0	0
2017	155	7,486,579	516,892	6.90%	(369,576)	$28.64	0	0	0	0
2016	155	7,486,579	411,236	5.50%	291,477	$28.26	0	0	0	0
2015	155	7,486,579	616,555	8.20%	99,894	$23.91	0	0	0	0
2014	155	7,486,579	818,042	10.90%	(71,535)	$19.98	0	0	0	0
2013	155	7,486,579	740,012	9.90%	(16,494)	$22.75	0	0	0	0

FS- 'Full Service Gross"

Source: CoStar Group, Inc. and Cushman & Wakefield of Washington, Inc.

Vacancy is expected to remain relatively stable over the next several years but rental rates are expected to continue to increase. The current vacancy rate in this area would indicate that there is potential for new development of office product but the increasing cost of land, due primarily to the amount of multifamily residential construction that is taking place in the Eastside market may make new office development unappealing for the next several years.

Subject's Competitive Market Position

The subject is considered to be an appealing business park property by market participants based on its location, quality, space types, condition and tenancy. The subject benefits from being located in Redmond, approximately two miles north of the Microsoft headquarters campus and at the center of the Eastside Suburban market. Thus, based on the subject's locational characteristics, project quality and current tenancy, the subject enjoys a competitive position in comparison to other comparable properties within the Eastside market.

Micro Market Outlook and Conclusions

Following upon more than five years of steadily improving economic conditions, the Seattle MSA should continue to experience healthy levels of economic and population growth thorough 2018. The region appears to be in a steady state of growth and will likely remain among the fastest growing metro areas in the country due to strong demographics and forecasts for growth across a variety of employment sectors in the near term. Strong levels of growth across metro area employment sectors over the past year indicate that local employers are more optimistic about business conditions in the near future, and a variety of high-wage employment opportunities should continue to draw a steady influx of skilled labor to the metro area. The overall outlook for the Seattle MSA, as well as the Eastside Suburban market and the subject's Redmond submarket, is positive.

SWOT Analysis

The SWOT or Strengths, Weaknesses, Opportunities, Threats, analysis provides general and specific insight relative to a particular asset or entity; in this case, the subject property. The Strengths and Weaknesses components of a SWOT analysis typically reflect good and bad attributes internal or specific to the subject, while the Opportunities and Threats are generally external or economic considerations that influence the subject positively and negatively. The chart below outlines our conclusions.

SWOT ANALYSIS

Strengths

- The subject is located in the Willows area of central Redmond, approximately two miles to the north of the Microsoft headquarters campus.
- The business park layout provides the appeal and amenities that are expected for a property of this type.
- The improvements have been well maintained and are considered to be in good condition.
- It is considered an appealing investment-grade Class B property by market participants.
- As a class B property the subject's rents are more competitive than similar Class A product.
- The subject has flex industrial spaces which are valued by many users, particularly start-up technology firms.
- Vacancy has trended downward continuously over the past several years
- Submarket rental rates have increased over the past several years.
- Little new development that competes with the subject has occurred over the past decade and none is planned.

Weaknesses

- Maintenance and operating costs for the subject's buildings are higher than newer structures.

Opportunities

- Continued growth in employment in the Seattle area will result in continued demand for office and flex space.
- Upward pressure on Class A rates will drive tenants who are cost conscious to properties like the subject.
- Increasing land prices will at some point make redevelopment of the campus with higher density uses feasible.

Threats

- A downward turn in local or global economic conditions would likely adversely affect the subject.

Respectfully submitted,

CUSHMAN & WAKEFIELD WESTERN, INC.

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Addenda Contents

Addendum A:
Assumptions and Limiting Conditions

Assumptions and Limiting Conditions

"Report" means the consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"Cushman & Wakefield" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of Cushman & Wakefield who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor Cushman & Wakefield shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of Cushman & Wakefield any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of Cushman & Wakefield is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without Cushman & Wakefield's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by Cushman & Wakefield in writing to use or rely thereon, hereby agrees to indemnify and hold Cushman & Wakefield, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Report.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. Cushman & Wakefield assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. Cushman & Wakefield recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and Cushman & Wakefield make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. Cushman & Wakefield recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. Cushman & Wakefield recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of Cushman & Wakefield, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- Subject to applicable laws and regulations (including the Singapore Securities and Futures Act, Chapter 289 of Singapore) its sole and exclusive remedy for any and all losses or damages relating to this agreement or the report shall be limited to two millions dollars ($2.0 million). In the event that the Client, or any other party entitled to do so, makes a claim against Cushman & Wakefield or any of its affiliates or any of their respective officers or employees in connection with or in any way relating to this engagement or the report, the maximum damages recoverable from Cushman & Wakefield or any of its affiliates or their respective officers or employees shall be subject to applicable laws and regulations (including the Singapore Securities and Futures Act, Chapter 289 of Singapore) limited to two million dollars ($2.0 million) and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and Cushman & Wakefield, its employees and the Appraiser have no liability to such recipients. Cushman & Wakefield disclaims any and all liability to any party other than the party that retained Cushman & Wakefield to prepare the Report.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- Unless otherwise noted, we did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

Addendum B:
Terms & Definitions

Terms and Definitions

Office

Existing Office inventory- In general, includes existing competitive buildings but does not include 85% or greater owner-occupied, government, retail, industrial, medical or, educational buildings. Inventory base square footage includes all competitive buildings that are classified as office. In the case of medical, note that medical tenants in an office building do not preclude the building's inclusion in statistics. The rule is that a medical building is built for the purpose of housing solely medical occupants and is often in an area dominated by medical uses such as hospitals or clinics. On average, the national minimum standard for inclusion in statistics is 20,000 square feet and while this may vary slightly by market, each market is required to incorporate a minimum threshold.

Class A- most prestigious buildings competing for premier office users with above average rents. High quality standards, well-located. Typically steel and concrete construction, built or renovated after 1980, quality tenants, excellent amenities & premium rents

Class B- buildings competing for wide range of office users with average rents. These buildings do not compete with Class A space. Typically built or renovated after 1960, with fair to good finishes & for a wide range of tenants.

Class C- buildings competing for tenants requiring functional space at below market rents.

CBD- Central Business District – typically a geographical area which includes the downtown office core of a metropolitan area or division.

Non-CBD/Suburbs- Everything in a market that is outside the CBD. Should always be referred to as suburban or suburbs.

Trophy Buildings- Building set distinguished by quality and location that merits its own rating superior to standard Class A properties. Internationally, these may also be referred to as "prime assets" and rents in such buildings may be referred to as "prime rents." In cases where trophy assets are not tracked separately, the Class A inventory in the functional CBD is the next best proxy for such trends.

General Statistical Terminology and Definitions

Asking rental rate (annual or monthly, gross or triple net, depending upon space use type) – The annual or monthly cost per square foot offered by the landlord or sub-landlord for leasing space, weighted by the amount of available space. Reported quarterly, gross, for all classes or subtypes.

Direct asking rent- rents quoted through the building landlord

Sublet asking rent- rents quoted through the master tenant

Direct vacant space- Space that is offered directly through the landlord that is free and clear of any current lease obligations. In order for inclusion in statistics, this space must be vacant or will be vacant by the end of the current reporting quarter. If the space does not meet that criteria, the space may be available, but should be out of statistics. Examples of such space include the leasing office, conference areas, or retail space that is available within the building such as sundry shops or dry cleaners.

Sublease vacant space- The same statistical rules apply to sublease space as to direct space. The difference is that sublease space is encumbered by a lease obligation. Sublease space may be offered through the tenant with the lease obligation, through the tenant's broker, or even through the landlord. It should be noted that even though space may be offered as a sublease, the space may actually be re-leased as direct space because the landlord decides to forgive the current lease obligation and draw up a new lease instead. For this reason, when sublease space is marked as "leased," one should find out if the space was actually leased as a sublease.

Available space- Space that is considered "on the market" whether vacant or not. See Availability Rate below.

Overall vacant space- The sum of direct available space and space available for sublease and new space.

Overall vacancy rate- The calculation used to determine the percent of overall space (direct + sublease + new) that is vacant:

Vacancy (%) = Overall vacant space divided by Inventory

Direct vacancy rate- The calculation used to determine the percent of direct space that is vacant:

Direct Vacancy (%) = Direct vacant space divided by Inventory

Sublet vacancy rate- The calculation used to determine the percent of sublease space that is vacant:

Sublease Vacancy (%) = Sublease vacant space divided by Inventory

Availability rate* - percent available on market regardless whether vacant or AIF (Available in the Future) - indicate timeframe available, i.e. 6 months.

Direct absorption- The net change in direct occupied space over a given period of time (excludes sublease space by definition) and is counted upon date of lease signing. However, for leases over a certain relevant size threshold for the market, direct absorption may be counted upon occupancy date and is calculated on a calendar year for each quarter and is not revised after the current year if it was determined to be correct at the time.

Sublet absorption- The net change in sublease occupied space over a given period of time and is counted upon date of lease signing. However, for leases over a certain relevant size threshold for the market, direct absorption may be counted upon occupancy date and is calculated on a calendar year for each quarter and is not revised after the current year if it was determined to be correct at the time.

Overall absorption- The net change in direct + sublease (overall) occupied space over a given period of time and is counted upon date of lease signing. However, for leases over a certain relevant size threshold for the market, direct absorption may be counted upon occupancy date and is calculated on a calendar year for each quarter and is not revised after the current year if it was determined to be correct at the time.

Leasing activity- The sum of all square footage underlying any leases over a period of time. This includes pre- leasing activity as well as expansions. It does not include renewals. Like absorption, leasing activity is calculated on a calendar year for each quarter and is not revised after the current year if it was determined to be correct at the time.

Pre-Leasing activity- The sum of all square footage underlying leases over a period of time for buildings that are under construction, under renovation or that have been proposed.

Lease renewal- Occurs when a lease on space expires and the tenant decides to stay in that space and extend the term either by using a new lease document or addendum to the tenant's prior lease agreement. It is C&W's policy to exclude renewals from leasing activity and from net absorption. If a tenant remains in the building but moves to another space within the building, this is leasing activity. If the tenant chooses to remain in the space, but takes additional space (expands), the expansion portion is considered leasing activity and should be counted separately from the total renewal (which should include the original space plus the expansion).

Under construction- Industrial and office square footage that are being built and have not received certificates of occupancy (C of O). Projects which are beyond site preparation (concrete slab poured and construction is actively progressing). For C&W statistical purposes, these buildings will not be completed by the last day of the reporting quarter.

Under renovation- Office and industrial buildings that are undergoing renovation, rehabilitation or conversion and require a certificate of occupancy to be habitable.

Construction completions- Commercial properties that have received certificates of occupancy for the first time in the building's history. Tenancy may not have taken place.

Build to Suit: a method of leasing property whereby the landlord builds to suit the tenant (according to tenant's specifications). The cost of construction is figured in to the rental amount of the lease, which is usually for a long term.

Speculative: a building constructed for lease or sale but without having a tenant or buyer before construction begins

Renovation completions- Commercial properties that have received their certificates of occupancy after undergoing renovation, rehabilitation or conversion.

Proposed construction- Industrial and office square footage that is planned for development at a future date and will not begin construction by the last day of the current reporting quarter. In order for a building to qualify as being proposed, a site plan must be in place and the building must be actively marketed by the landlord or landlord's agent.

Sales activity- Includes both user and investment sales of existing buildings. In other words, user office buildings that aren't in our statistics in the first place, are not tracked. However, leased buildings that become sold to a single occupant remain in statistics until after the end of the year and are taken out at the beginning of the next year. Investment sales are sales to entities that will lease or sell the building to others and are income-producing assets. Contrary to office building user sales, industrial building user sales are considered part of the inventory.

Cap Rate- A rate used to convert income to value. The percentage used to determine the value of income property through capitalization. The rate reflects the relationship between one years' income or an annual average of several years' income and the corresponding capital value over the same timeframe.

The calculation for calculating direct capitalization rates is:

$$\frac{\text{Income}}{\text{Rate}} = \text{Value} \quad \text{or} \quad \frac{\text{Income}}{\text{Value}} = \text{Rate}$$

A low direct capitalization rate usually denotes a lower risk property, and the higher the direct capitalization rate usually denotes a higher risk property, which usually brings a higher rate of return, if managed properly. Higher capitalization rates can also lead to lower rates of return in certain circumstances. Typically, a lower quality building has a higher capitalization rate than a Class A building.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of the unitholders of Keppel-KBS US REIT ("**Keppel-KBS US REIT**", and the holders of units of Keppel-KBS US REIT, "**Unitholders**") will be held at Level 3, Jasmine Main Ballroom, Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956 on Tuesday, 16 October 2018 at 9.30 a.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION:

THE PROPOSED ACQUISITION OF THE WESTPARK PORTFOLIO

RESOLVED that:

(a) approval be and is hereby given for the acquisition of the proposed acquisition of the Westpark Portfolio (the "**Acquisition**"), for a purchase consideration of US$169.4 million, on the terms and conditions set out in the purchase and sale agreement dated 23 September 2018 (the "**Purchase and Sale Agreement**") (as described in the circular dated 28 September 2018);

(b) the entry into of the Purchase and Sale Agreement be and is hereby approved and ratified;

(c) approval be and is hereby given for the payment of all fees and expenses relating to the Acquisition; and

(d) Keppel-KBS US REIT Management Pte. Ltd. (as manager of Keppel-KBS US REIT) (the "**Manager**"), any Director or Chief Executive Officer of the Manager, and Perpetual (Asia) Limited (as trustee of Keppel-KBS US REIT) (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, such Director or Chief Executive Officer of the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interests of Keppel-KBS US REIT to give effect to the Acquisition and all transactions in connection therewith).

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
28 September 2018

Notes:

1. A Unitholder entitled to attend and vote at the EGM and who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.

2. If the appointer is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its authorised officer or attorney.

3. The instrument appointing a proxy must be lodged at the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not later than 13 October 2018 at 9.30 a.m. being not less than seventy-two (72) hours before the time appointed for the EGM.

4. A Unitholder who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

   "**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 markets 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.

5. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at seventy-two (72) hours before the time appointed for EGM in order for the Depositor to be entitled to attend and vote at the EGM.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM 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 proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (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 (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee (or their agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

KEPPEL-KBS US REIT

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

IMPORTANT:

1. A relevant intermediary may appoint more than one proxy to attend the Extraordinary General Meeting and vote (please see Note 2 for the definition of "**relevant intermediary**").

PERSONAL DATA PRIVACY:

2. By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 28 September 2018.

PROXY FORM
EXTRAORDINARY GENERAL MEETING

(Please see notes overleaf before completing this Form)

*I/We ______________________________ (Name)

of ______________________________ (Address)

being a unitholder/unitholders of Keppel-KBS US REIT ("**Keppel-KBS US REIT**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

or, failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Extraordinary General Meeting (the "**Meeting**") of Keppel-KBS US REIT to be held at Level 3, Jasmine Main Ballroom, Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956 on Tuesday, 16 October 2018 at 9.30 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

No.	Ordinary Resolution	No. of Votes For**	No. of Votes Against**
1	To approve the Acquisition		

* Delete where inapplicable

** If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _______ day of __________________ 2018

Total number of Units held

____

Signature(s) of Unitholder(s)/Common Seal of Corporate Unitholder

FOLD THIS FLAP FOR SEALING

Affix
Postage
Stamp

BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

FOLD HERE

FOLD HERE

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form

1. A unitholder of Keppel-KBS US REIT ("**Unitholder**") entitled to attend and vote at the Extraordinary General Meeting ("**EGM**") and who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead.
2. A Unitholder who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

   "**relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) 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 markets 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.
3. Completion and return of this instrument appointing a proxy ("**Proxy Form**") shall not preclude a Unitholder from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the EGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
4. The Proxy Form must be deposited at the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 72 hours before the time set for EGM.
5. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his name in the Depository Register maintained by the Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of Keppel-KBS US REIT, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he 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.
6. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy. A proxy need not be a Unitholder.
7. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof 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 name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by CDP to the Manager.
9. All Unitholders will be bound by the outcome of the EGM regardless of whether they have attended or voted at the EGM.

Keppel KBS US REIT

KEPPEL-KBS US REIT MANAGEMENT PTE. LTD.
1 HarbourFront Avenue #18-01 Keppel Bay Tower Singapore 098632
Phone: (65) 6803 1818 Fax: (65) 6803 1717