



## NEWS RELEASE

### PRIME US REIT 1H2021 DISTRIBUTABLE INCOME STABLE AT US\$35.4 MILLION

- Maintains portfolio occupancy of 91.7%, with long WALE of 4.1 years and low near-term lease expiries
- Continues strong rent collections at 99% throughout FY2020 and 1H2021
- Proactive and prudent leasing strategy with 52,349 sq ft of mainly long-term leases executed at a positive rental reversion of 10.5%
- Cumulative Distribution of US 3.42 cents for the period from 1 January to 5 July 2021
- Accretive acquisitions of Sorrento Towers, San Diego and One Town Center, Boca Raton announced in June 2021 and closed in July 2021

**Singapore, 3 August 2021** – KBS US Prime Property Management Pte. Ltd., the manager (the “**Manager**”) of Prime US REIT (“**PRIME**”), a real estate investment trust with a high-quality office portfolio in the United States (the “**U.S.**”), today published its financial results for the half year ended 30 June 2021 (“**1H2021**”).

PRIME’s gross revenue and net property income (“**NPI**”) for 1H2021 remained stable at US\$72.1 million and US\$46.3 million, respectively. Distributable income of US\$35.4 million was in line with the continued stable NPI performance and benefitted from lower interest costs. Distribution per unit (“**DPU**”) for 1H2021 was US 3.33 cents.

PRIME announced a Cumulative Distribution of US 3.42 cents for the period from 1 January to 5 July 2021, pursuant to the Private Placement launched on 24 June 2021.

#### **Resilient Portfolio and Proactive Management Strategies**

PRIME’s resilient asset portfolio continued to perform well in 1H2021, securing strong tenancies and achieving a high portfolio occupancy of 91.7%, which remains well above U.S. occupancy average of 4/5 Star properties of 83.9%<sup>1</sup>. The long weighted average lease expiry (“**WALE**”) of 4.1 years and continued strong rent collections at 99.6% in 2Q2021 with minimal deferrals, further supports the portfolio’s stability. Renewal of leases and executing new leases

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<sup>1</sup> CoStar as of 6 July 2021, 4/5 star properties

to address remaining 2021 lease expiries continue to be a key focus of management. For FY2021, lease expiries are well-spread across the portfolio, reducing single asset exposure.

Proactive and prudent lease management strategies continue to underpin leasing momentum which remained robust with 52,349 sq ft of mainly long-term leases executed in 2Q2021 at positive rental reversion of 10.5%. New leases signed include leading financial services and government tenants such as Deloitte, Commission on State Mandates, EDJ Leasing and FCI Lender Services. Portfolio in place rents are 6.4% below market, which provide an added buffer as well as rental reversion potential.

Strategically aligned to PRIME's growth objectives, the recent acquisitions of One Town Center in Boca Raton and Sorrento Towers in San Diego enhance PRIME's exposure to key STEM/TAMI and finance growth sectors. This also improves portfolio resilience through the extension of the WALE and diversification into new markets and high-quality tenants, providing greater earnings visibility.

### **Prudent Capital Structure**

PRIME has a prudent capital structure with low gearing of 34.4% as at 30 June 2021. The ample debt headroom of US\$458.5 million and US\$200 million of undrawn facilities position PRIME well to continue to achieve its growth objectives. PRIME's fixed interest rates on 86% of its debt and a fully extended weighted average debt maturity of 4.1 years mitigates against any near-term interest rate and refinancing risks. Interest coverage was 5.8 times for the period ended 30 June 2021 with a low 2.8%<sup>2</sup> effective interest cost.

### **Gaining Momentum with Economic Recovery**

Nearly 1.7 million jobs were replaced at the end of 2020 with an additional 389,000 office-using jobs created in the first half of 2021. While uncertainty for many office users remains a concern, the 66.4 million sq ft of leasing in 2Q 2021 represented a 15% increase quarter-over-quarter ("qoq") and the first time above 60 million sq ft in five quarters<sup>3</sup>. Confidence in leasing has also increased, with average lease terms up to 7.4 years – a 4.2% increase. Since the end of March, more than 5.4 million sq ft of sublease space has been taken off the market, with 81.7% of this

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<sup>2</sup> Based on interest expense (excluding amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings outstanding as at 30 Jun'21.

<sup>3</sup> Cushman & Wakefield Q2 2021 MarketBeat – US National Office



space from tenants taking back space to meet de-densification requirements or reduced remote work expectations<sup>4</sup>.

Flight to quality remains the overriding theme of the pandemic and is underscored as the recovery begins. While the US vacancy rate remained elevated at 17.2% compared to 13.7% a year ago, and remains high relative to the past ten years, rates held steady or dropped in 15 markets. Despite rising vacancy, national asking rents increased by 0.9% qoq. Activity continues to gain momentum with tour activity increasing by over 80% from January to May, according to VTS<sup>3</sup>.

With the economy accelerating, vaccination rates rising and increased consumer activity, job growth is expected to continue in 2021. Real GDP is on track to reach pre-pandemic levels in the second quarter of this year, according to Cushman & Wakefield<sup>3</sup>. Return to office continues to be a point of emphasis as many companies have indicated dates employees are expected to return through varying points of 2021.

**Ms Barbara Cambon, Chief Executive Officer and Chief Investment Officer of the Manager of PRIME**, said, “We are pleased to report another stable and resilient performance. PRIME’s well-diversified portfolio and prudent capital structure continue to deliver on our growth objectives and enhance Unitholders’ value.

The strategic timing of the acquisitions of two high quality assets - One Town Center and Sorrento Towers will contribute positively to portfolio performance in 2H2021.

We believe non-gateway markets will continue to provide superior risk-adjusted returns, and the extension of our presence into key growth markets and sectors presents significant future growth opportunities for us.

This takes us a step closer to our goal of inclusion into the FTSE EPRA NAREIT index, which will further institutionalise our unitholder register and improve trading liquidity.”

**Cumulative Distribution for the period from 1 January to 5 July 2021:**

<b>DPU</b>	US 3.42 cents
<b>Ex-date</b>	2 July 2021
<b>Record Date</b>	5 July 2021
<b>Payment Date</b>	20 August 2021

**– End –**

<sup>4</sup> JLL US Office Outlook Q2 2021



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**About Prime US REIT**

Listed on 19 July 2019 on the Main Board of the Singapore Exchange, Prime US REIT ("PRIME") is a well-diversified real estate investment trust ("REIT") focused on stabilised income-producing office assets in the United States ("U.S."). With the objectives to achieve long-term growth in distributions per unit and net asset value per unit while maintaining a robust capital structure, PRIME offers investors unique exposure to a high-quality portfolio of 12 Class A freehold office properties which are strategically located in 11 key U.S. office markets. PRIME's portfolio has a total carrying value of US\$1.41 billion as at 30 June 2021.

**About the Sponsor**

KBS Asia Partners Pte. Ltd. ("KAP") is the Sponsor of PRIME. The shareholders of KAP include founding members of KBS, one of the largest owners of premier commercial real estate in the U.S. As a private equity real estate company and an SEC-registered investment adviser, KBS and its affiliated companies have completed more than US\$42 billion of transactional volume on behalf of private and institutional investors globally since inception in 1992.

**About the Manager**

PRIME is managed by KBS US Prime Property Management Pte. Ltd. which is jointly owned by KBS Asia Partners Pte. Ltd., Keppel Capital Two Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Management Pte Ltd, Times Properties Private Limited, a wholly-owned subsidiary of SPH and Experion Holdings Pte. Ltd., a wholly-owned subsidiary of AT Holdings Pte. Ltd.

The Manager has general powers of management over the assets of PRIME. The Manager's main responsibility is to manage PRIME's assets and liabilities for the benefit of Unitholders.



The Manager will set the strategic direction and provide, investment, asset management, capital management, internal audit, human resource, information technology, accounting, compliance and investor relations services to PRIME.

For more information, please visit [www.primeusreit.com](http://www.primeusreit.com).



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