



(A real estate investment trust constituted on 7 September 2018  
under the laws of the Republic of Singapore)  
(Managed by Prime US REIT Management Pte. Ltd.)

**PRIME US REIT'S ANNUAL GENERAL MEETING (26 APRIL 2023)  
RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM  
UNITHOLDERS AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

The Board of Directors of Prime US REIT Management Pte. Ltd. (the "**Manager**"), as manager of Prime US REIT ("**PRIME**"), refers to:

- (a) the notice of annual general meeting ("**AGM**") of PRIME dated 4 April 2023; and
- (b) the accompanying announcements released on 4 April 2023 setting out, *inter alia*, the alternative arrangements relating to the participation of unitholders of PRIME ("**Unitholders**") at the AGM where Unitholders will be able to ask questions "live" during the "live" AGM audio-and-video webcast. Unitholders have also been asked to submit any substantial and relevant questions related to the resolutions to be tabled at the AGM in advance of the AGM by 14 April 2023, via the pre-registration website, by post or by email in relation to the agenda of the AGM.

The Manager would like to thank PRIME Unitholders for submitting their questions in advance of PRIME's annual general meeting to be convened and held by way of electronic means on Wednesday, 26 April 2023, at 9.00 am (Singapore time). The responses to the list of substantial and relevant questions received from Unitholders addressed by the Chief Executive Officer during the AGM will also be subsequently published on PRIME's website and on SGXNET.

Please refer to **Appendix A** hereto for the responses to the list of substantial and relevant questions received from Unitholders.

BY ORDER OF THE BOARD

Harmeet Singh Bedi  
Chief Executive Officer

**Prime US REIT Management Pte. Ltd.**  
(Company Registration No. 201825461R)  
As Manager of Prime US REIT  
21 April 2023

**IMPORTANT NOTICE**

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

The value of units in PRIME (the "**Units**") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, DBS Trustee Limited (as trustee of PRIME) or any of their affiliates.

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

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

The past performance of PRIME is not necessarily indicative of its future performance.

**GROUPED BY TOPIC**


<b>A. LEASING &amp; VALUATION</b>		
1.	<p>With the continued work from home trend affecting income, and thus asset value, is the REIT prepared for similar situation facing Manulife US REIT?</p>	<ul style="list-style-type: none"> <li>▪ We continue to monitor office re-entry trends, which have seen some progress in recent months, although they remain below pre-pandemic levels. Many major companies are requiring employees to return to the office full or part time, and new hiring is also beginning to pivot away from fully remote positions. However, return to office trends have been uneven.</li> <li>▪ Corporate tenants, in their efforts to bring employees back to office, are moving up the quality chain for their office needs, and PRIME is actively managing its assets, enhancing amenities and ESG initiatives to make them more attractive to tenants as they make leasing decisions, to fill upcoming vacancy, improve occupancy and organic growth.</li> <li>▪ PRIME's assets are well amenitized Class A assets located in non-gateway cities that are relatively more affordable, have access to human capital and are seeing good employment. While we continue to watch the developments in 2023, we believe PRIME's focus on non-gateway and more affordable cities will see better resilience amid current headwinds.</li> </ul>
2.	<p>Please help us understand the reason for the low occupancy at Tower I at Emeryville (76.1%), Village Center Station I (68.7%) and Reston Square (46.1%)?</p> <p>What has the management done to improve the occupancy at these 3 properties?</p> <p>How is the demand for the empty space at these 3 properties?</p>	<p>Tower I at Emeryville (contributes 7.2% of portfolio cash rental income)</p> <ul style="list-style-type: none"> <li>▪ WeWork vacated approximately 25% of the property in 4Q2021. While two-thirds of Wework's leased space has since been backfilled, there are other vacancies in the space as a consequence of tenant departures and downsizing.</li> </ul> <p>Village Center Station I (contributes 4.6% of portfolio cash rental income)</p> <ul style="list-style-type: none"> <li>▪ A sub-market that has seen little new to market tenant, and large tenant activity since the start of the COVID-19 pandemic. We are evaluating various options to enhance the appeal of the space and improve leasing prospects. This includes the implementation of an amenitization plan, potential demising of space to smaller units, and a recent change in the leasing team to intensify our leasing efforts.</li> </ul> <p>Reston Square (contributes 2.0% of portfolio cash rental income)</p> <ul style="list-style-type: none"> <li>▪ Whitley Bradley &amp; Brown was acquired and subsequently amalgamated with its acquirer post lease expiry in 3Q2022. The vacancy at Reston Square is almost entirely on account of Whitley Bradley &amp; Brown's departure.</li> </ul> <p>We continue to see interest from prospective tenants at the abovementioned properties.</p>

		<p>At a portfolio level, we continually assess the leasing resources engaged in our various markets and properties. In some instances, we have refreshed leasing teams working on certain properties, and increased the intensity of engagements with prospective tenants. Concurrently, we will also evaluate various options to better amenitize and enhance the appeal of these spaces available.</p>
3.	<p>Can the manager provide more insight for unitholders on the level of physical attendance at its office properties, as businesses reportedly struggle to bring workers back to the office?</p>	<ul style="list-style-type: none"> <li>▪ Physical occupancy remains bifurcated across the markets PRIME has a presence in.</li> <li>▪ As at 31 March 2022, PRIME's average physical occupancy was 56% (ranging from 24% to 85%).</li> <li>▪ We see more employers requiring employees to return to the office full time or part time. We are also hearing that new hiring in recent months continues to pivot away from fully remote positions which were more common at the early stage of the COVID-19 pandemic.</li> <li>▪ Overall, our active approach to asset management, air quality and safety and amenitization to increase the attractiveness of the portfolio and facilitate a smooth return-to-office for tenants worked well for PRIME during the year.</li> </ul>
4.	<p>Can the manager help unitholders reconcile the apparent contradiction between decreasing demand and positive rental reversions?</p>	<ul style="list-style-type: none"> <li>▪ Leasing dynamics vary across markets, and are dependent on a number of factors including in the specific sub-market demand for space, new construction/development deliveries, asking rents, tenant concessions, and availability of sublease space in the market.</li> <li>▪ We would also note that while headline rents have continued to increase, they have often been accompanied by higher tenant incentive packages.</li> <li>▪ While the reported quarterly rental reversion depends very much on specific spaces leased out for a particular quarter, the consecutive positive rental reversions reflect tenants' and prospective tenants' interest to be in our properties.</li> </ul>
5.	<p>What is the current status of rental payments from tenants? Are there any instances of late payments or rental arrears? What is the typical range of security rental deposit collected upfront by the REIT?</p>	<ul style="list-style-type: none"> <li>▪ The Manager and asset managers practice active monitoring of rental payments from tenants to minimize rental arrears and bad debts.</li> <li>▪ There are instances of late payments or rental arrears, however, these have remained very low.</li> <li>▪ Security deposits arrangements vary based on tenant's credit/financial profile, and are typically in a range of a few months' rent.</li> </ul>

<p>6.</p>	<p>The portfolio has a weighted average lease expiry (WALE) by net lettable area of 4.1 years.</p> <p>(i) What is the WALE by cash rental income (CRI) for the portfolio?</p> <p>(ii) What are the reasons for the significant declines in values of the assets mentioned above?</p> <p>(iii) Is there significant risk that the REIT's aggregate leverage will increase and exceed 45% or 50% if the valuations face greater pressure? If so, what would be the impact on the REIT when aggregate leverage is higher than 45%/50%?</p> <p>(iv) Can the audit and risk committee (ARC) help unitholders better understand their level of familiarity, knowledge and expertise of the US commercial property market, particularly in the states where the group operates?</p>	<p>(i) What is the WALE by cash rental income (CRI) for the portfolio?</p> <ul style="list-style-type: none"> <li>▪ PRIME currently discloses WALE by net lettable area instead of WALE by cash rental income.</li> </ul> <p>(ii) What are the reasons for the significant declines in values of the assets mentioned above?</p> <ul style="list-style-type: none"> <li>▪ Portfolio valuations declined 6.7% year-on-year as at 31 December 2022.</li> <li>▪ In the current environment, the independent valuer, JLL Valuation &amp; Advisory Services, LLC used the discounted cashflow method as its primary valuation metric in valuing PRIME's properties.</li> <li>▪ The decline in valuations was mainly due to the increase in discount and cap rates. Cap rates as at 31 December 2022 were at 6.56%, a 47 basis points ("<b>bps</b>") increase from 6.09% as at 31 December 2021.</li> </ul> <p>(iii) Is there significant risk that the REIT's aggregate leverage will increase and exceed 45% or 50% if the valuations face greater pressure? If so, what would be the impact on the REIT when aggregate leverage is higher than 45%/50%?</p> <ul style="list-style-type: none"> <li>▪ Year-end valuations will depend on a number of factors including the quantum and terms of the leases that PRIME enters into during the course of 2023, existing and projected occupancy levels, the state of the US office market, and the US economic and interest rate environment.</li> <li>▪ However, on the basis of PRIME's valuations remaining constant, we target to keep PRIME's gearing below 45% at the end of 2023.</li> <li>▪ Additionally, Management is focused on leasing and occupancy and will concurrently evaluate our options to address increased gearing that would result from potential declines in portfolio valuations including but not limited to raising capital from asset divestments, and asset swaps.</li> </ul> <p>(iv) Can the audit and risk committee (ARC) help unitholders better understand their level of familiarity, knowledge and expertise of the US commercial property market, particularly in the states where the group operates?</p> <ul style="list-style-type: none"> <li>▪ The ARC consists of four independent non-executive directors.</li> <li>▪ The ARC is led by Mr John French, Senior Assurance Partner from Ernst &amp; Young LLP US (retired), specializing in real estate investment funds/advisors/sponsors and REITs, land developers, homebuilders and hospitality companies. Mr French was actively involved with the National Association of Real Estate Investment Trusts (NAREIT) and the Urban Land Institute (ULI). Mr French is also Founding Principal, French Asset Management, Inc., which manages real estate investments and provides advisory and other services to the real estate industry.</li> <li>▪ Mr Kevin Adolphe has over 35 years of global experience in real estate, asset management and financial services. As President and CEO within a global financial group, Mr Adolphe has extensive experience in the real estate sector, on both listed and private platforms. This includes expanding the business internationally, launching an IPO successfully, and growing</li> </ul>
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		<p>the group's real estate platform threefold profitably.</p> <ul style="list-style-type: none"> <li>▪ Professor Annie Koh is Professor Emeritus of Finance (Practice) at Lee Kong Chian School of Business, Singapore Management University (SMU). She is a pre-eminent figure in Singapore higher education, and brings to the ARC and Board a wealth of experience from her board and advisory positions across a number of listed and private corporates, start-up enterprises, multilateral agencies, and Singapore government entities.</li> <li>▪ Professor Stephen Phua has over 30 years of experience in the area of law specialising in tax, including corporate tax. He has served on several government boards/committees, including his current position as Chairman of the Home Team Council, and Member of the Curriculum Development and Examination Committee of the Tax Academy of Singapore. Professor Phua was also a panel member of all the three tax tribunals (income tax, GST and property tax) in Singapore for a cumulative period of nearly 40 years.</li> <li>▪ While Mr French and Mr Adolphe have extensive experience in the US Commercial real estate market, the ARC's composite is well complemented by the experience of Professor Koh's and Professor Phua's depth of knowledge and experience in the areas of finance, tax, legal, government boards' best practices.</li> <li>▪ The diverse range of skillsets and experience of all ARC directors, including those with extensive experience in US commercial real estate, provides a comprehensive spectrum of expertise to the ARC and the Board.</li> <li>▪ The ARC's "familiarity, knowledge and expertise" is also derived from KBS Realty Advisors, LLC, PRIME's US asset manager, and Lincoln Property Company, the consolidated property management service provider of PRIME, who both have an extensive presence in those states where PRIME has holdings.</li> </ul>
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**B. FINANCING**

1.	Does PRIME has any banking relationship with US regional banks?	<ul style="list-style-type: none"> <li>PRIME does not have exposure to US regional banks that are facing going-concern issues.</li> </ul>
2.	<p>Currently, credit conditions are tightening and possibly worsening conditions going into 2024.</p> <p>With a sizeable debt maturing and requiring refinancing, how is the REIT preparing for a situation where refinancing in 2024 may likely prove to be more challenging?</p>	<ul style="list-style-type: none"> <li>The Manager is cognizant of the developments in the banking sector, and credit conditions in the US. We are continuing to evaluate the bank and debt capital markets as we get closer to our final extended debt maturity of our Bank of America led facility in 2024.</li> <li>PRIME and our US asset manager KBS continue to be supported by a diverse network of existing and prospective lenders within the US commercial real estate space.</li> <li>The Manager will consider all relevant sources of funding to refinance the debt, and in a timely manner.</li> </ul>
3.	<p>Management has classified the revolving credit facility and the four-year term loan facility as non-current, as the manager has the option for a one-year extension to roll over the facility, subject to certain conditions being met.</p> <p>(i) What conditions must be met for the one-year extension?</p> <p>(ii) If the facilities are extended by one year, will there be changes to the spread?</p> <p>(iii) Assuming that options to extend debt tranches maturing in July 2023 and July 2024 are exercised, the REIT still faces a US\$449 million debt maturity challenge in July 2024 (reproduced below).</p> <p><b>Debt Maturity Profile* (US\$m)</b></p>  <p>^ With extension options fully exercised</p>	<p>(i) What conditions must be met for the one-year extension?</p> <ul style="list-style-type: none"> <li>Conditions for extension mainly relate to maintaining existing covenants.</li> </ul> <p>(ii) If the facilities are extended by one year, will there be changes to the spread?</p> <ul style="list-style-type: none"> <li>No change to spread at extension, there is a payment of 10bps in one-time extension fees.</li> </ul> <p>(iii) What guidance has the board provided to the manager regarding the strategy to achieve an optimal outcome for the REIT's refinancing?</p> <ul style="list-style-type: none"> <li>The Board and Manager are cognizant of the importance of completing a successful refinancing on a timely basis.</li> <li>As a first step, the Manager has initiated the 1-year extension of the two debt tranches due in 2023.</li> <li>The Manager will thereafter focus its efforts on evaluating the appropriate sources and timing for the 2024 debt maturities.</li> </ul>

	<p>What guidance has the board provided to the manager regarding the strategy to achieve an optimal outcome for the REIT's refinancing?</p>	
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C. DISTRIBUTION		
1.	<p>What is the take-up rate of the distribution reinvestment plan?</p> <p>How does it help the REIT when investor takes up such plan?</p>	<ul style="list-style-type: none"> <li>▪ Pursuant to PRIME’s Distribution Reinvestment Plan (the “DRP”), 5.23m* new units (with an aggregate value at issue of US\$3.78m*) were issued in FY2022.</li> <li>▪ Relative to the income available for distribution to Unitholders for FY2022 of US\$77.15m^, the amount of distribution paid via the DRP in Units instead of cash of US\$3.78m represents 4.9% of the total distribution.</li> <li>▪ Distribution to Unitholders paid via the DRP in Units allow PRIME to have additional liquidity potentially for operational cashflow, capex and/or revolving financing obligations.</li> </ul> <p>* NTA 12 - Units In Issue and To Be Issued (Page 151 of PRIME’s Annual Report 2022)  ^ Consolidated Distribution Statement (Page 125 of PRIME’s Annual Report 2022)</p>
2.	<p>As at 31 December 2022, aggregate leverage is 42.1%.</p> <p>With the increase in interest rate as a backdrop, is the management considering gradually reducing the debt of the REIT overtime (such as setting aside a small portion of distribution to repay the debt as they are due to reduce borrowing, hence reducing interest cost and enhancing the returns to shareholders?)</p>	<ul style="list-style-type: none"> <li>▪ We are cognizant of higher interest cost in the current environment, as well as the increase in gearing as a result of PRIME’s 2022 year-end portfolio valuation. Accordingly, we will look to balance sustainable long-term distributions to our Unitholders with a prudent capital management strategy.</li> <li>▪ We will continue to evaluate this, and will keep Unitholders apprised of any changes on distribution strategy.</li> </ul>
3.	<p>PRIME REIT is taking management fee in shares. At the current management fee of \$7.8 million amount, this amounts to an issuance of 2% of the share capital annually to the REIT manager (at current price).</p> <p>Given that the dilution is large, would management consider taking the fee in cash similar to what Keppel Pacific Oak is doing? This will prevent dilution to shareholders with shares being issued at a cheap valuation. I acknowledge that the amount available for distribution will drop by approximately 20%, but reducing the amount of shares issued solves the long term problem where shareholders distribution will face a natural decline of 2% annually.</p>	<ul style="list-style-type: none"> <li>▪ We are cognizant of the dilutive impact on our Unitholders arising from the issuance of Management Fee Units to the Manager at high discounts to NAV.</li> <li>▪ We are currently evaluating the option of taking the Management Fee in cash, and weighing the dilutive impact of such issuance against any consequent negative impact on DPU.</li> <li>▪ We will keep Unitholders apprised of any updates to the Management Fee structure.</li> </ul>



4.	<p>Would the management review a share buyback to reduce the number of shares in circulation?          If management is confident in PRIME's REIT future, this will mean shareholders will enjoy higher DPU in future.</p>	<ul style="list-style-type: none"> <li>▪ We are seeking Unitholder's approval for the renewal of the Manager's Unit Buy-Back Mandate which is being tabled as Ordinary Resolution 4 at the upcoming AGM.</li> <li>▪ As PRIME pays out 100% of its distributable cash flow, any unit buyback will need to be funded from drawdowns of PRIME's credit facilities, thus reducing PRIME's available liquidity. Concurrently, the units bought back would be cancelled, thereby reducing unitholder equity, and this would adversely impact PRIME's gearing.</li> <li>▪ We therefore do not propose buying back Units immediately but are renewing our mandate to provide us with the flexibility to do so should we believe this is in the best interests of PRIME and its Unitholders during the course of the year.</li> </ul>
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## D. GOVERNANCE

1. For the benefit of unitholders, can the board, potentially led by the independent directors, identify and summarise the key operating risks to the REIT and update unitholders on how the REIT manager is actively addressing these risks?

There are a few key operating areas that we are constantly watching closely.

### Leasing and Return-to-office

- The Manager constantly assesses the properties' competitiveness and how it can further intensify efforts on the leasing front to elevate the attractiveness of our well-located, well-amenitised Class A offices.
- Maintain relevancy of our offerings as the destination of choice for corporates looking to lease spaces.

### Liquidity and Financing Risks

- The Manager monitors the financial market closely for lenders' appetite and opportunities to get ahead of refinancing situations.
- The Manager proactively monitors PRIME's cash flow, debt maturity profile, gearing and liquidity positions, including managing tenure of borrowings, to ensure a well-staggered debt maturity profile.
- The Manager maintains a robust cash flow position and working capital to ensure that there are adequate liquid reserves to meet financial obligations.

### Economic and Taxation Risks

- The Manager manages this by closely monitoring the US economic situation, political environment, economic developments and tax regime so that it may take anticipatory moves to safeguard income flows. The Manager also works closely with tax agents and advisors in the US and Singapore to anticipate and evaluate the impact of any changes in taxation legislation, administrative guidance and regulations on the business of PRIME.

### Exposure to Financial Markets Risk

- The Manager constantly monitors exposure to interest rates. It utilises various financial derivative instruments, where appropriate, to hedge against such risks.
- As at 31 December 2022, 82.0% of total debt were either fixed rate loans or had been hedged using interest rate swaps from floating to fixed rate.

### Credit Risk

- Credit risk assessments of tenants are carried out prior to signing of lease agreements. Credit risks are further mitigated through various mechanisms, including the upfront collection of security rental deposits where applicable.
- Systematic rental collection procedures are implemented to ensure regular collection of rents, thereby reducing the incidence of rental arrears.

For further detail, please refer to Enterprise Risk Management section of PRIME's Annual Report 2022 (Page 54-56).

<p>2.</p>	<p>The REIT has had substantial personnel changes in the board and in the management in the past year.</p> <p>(i) Did the significant personnel changes to the board and management team lead to any disruptions in the manager? Have the new directors and CEO been fully onboarded and hit the ground running?</p> <p>(ii) Will the newly constituted board be reviewing the REIT's performance and strategy given the current challenges in the environment?</p> <p>(iii) Can the nominating and remuneration committee (NRC) help unitholders better understand the rationale, selection criteria and the search and nomination process that led to the appointment of Professor Stephen Phua Lye Huat? In particular, as a first-time director with limited/no direct professional experience in US commercial real estate, how is Professor Stephen Phua Lye Huat going to contribute to the board at this challenging time for the trust?</p>	<p>(i) Did the significant personnel changes to the board and management team lead to any disruptions in the manager? Have the new directors and CEO been fully onboarded and hit the ground running?</p> <ul style="list-style-type: none"> <li>▪ There were no disruptions to the Manager arising from the personnel changes. The new directors had undergone the necessary onboarding trainings and briefings to be familiarized with PRIME and their duties as directors of the Manager.</li> <li>▪ The new CEO, Mr Harmeet Singh Bedi, was previously the Deputy CEO and CFO of the Manager and he joined PRIME in May 2020. Since then, he had been actively involved and was familiar with the various aspects of the Manager's functions.</li> </ul> <p>(ii) Will the newly constituted board be reviewing the REIT's performance and strategy given the current challenges in the environment?</p> <ul style="list-style-type: none"> <li>▪ All directors (including new directors) attend regular board meetings where PRIME's performance and strategy were reviewed and robustly discussed considering the current challenges.</li> </ul> <p>(iii) Can the nominating and remuneration committee (NRC) help unitholders better understand the rationale, selection criteria and the search and nomination process that led to the appointment of Professor Stephen Phua Lye Huat?</p> <ul style="list-style-type: none"> <li>▪ The NRC continuously reviews the structure, size, balance and diversity of the Board and makes recommendations to the Board on the appointment of new directors, taking into consideration aspects such as professional qualifications, industry and geographic knowledge, skills, experience, age, gender and the needs of PRIME.</li> <li>▪ As part of the renewal process, the NRC takes all the factors above into consideration to ensure that the Board has the desired diversity and optimal balance of skills to meet the ongoing and future needs of the REIT. The nature and scope of outreach are varied and this may include leveraging on internal and external industry-wide networks available.</li> <li>▪ Professor Stephen Phua has over 30 years of experience in the legal sector, specialising in tax, including corporate tax. He was a consultant with the Inland Revenue Authority of Singapore ("IRAS") for a few years and has been actively practicing as a consultant in taxation laws to many local law firms for more than 10 years where he has advised publicly listed as well as private companies operating in different sectors on tax, regulatory and restructuring issues. In addition, Professor Phua has also been a convener and co-teacher of a module "Business and Finance for Lawyers" which teaches basic accounting to law students for more than 17 years. He was also a panel member of all three tax tribunals (income tax, GST and property tax) in Singapore for a cumulative period of nearly 40 years.</li> <li>▪ Professor Phua has also served as Chairman of the National Police Cadet Corps Council and Home Team Corps Council in the last 10 years. In addition, he served on committees of the Singapore Academy of Law for over 2 decades and is currently also a member of committees in IRAS, Ministry of Home Affairs and Singapore Institute of Directors. Besides these public offices, he had held office of Sub-Dean and directorships of different research centres/programmes in the Faculty of Law, National University of Singapore for about 3</li> </ul>
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		<p>decades.</p> <ul style="list-style-type: none"><li>▪ With Professor Phua's broad ranging skills set and experience, including his expertise on taxation and legal issues, the NRC and the Board are of the view that he has much to contribute to the Board of the Manager. In addition, his diverse experience in different management positions in the National University of Singapore over the last 3 decades complements the current range of skillsets and experience of other directors (including those with extensive experience in US commercial real estate), hence strengthening the Board by improving its overall balance and effectiveness.</li></ul>
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