KBS | Strategic Opportunity REIT

January 9, 2017

Dear KBS Strategic Opportunity REIT Stockholder:

We here at KBS are pleased to announce that on December 8, 2016, the KBS Strategic Opportunity REIT (the "REIT") Board of Directors approved an estimated value per share of $14.81, a 10.2% increase from the December 2015 estimated value per share of $13.44. The new estimated value per share plus the total distributions to date of $2.15 represent an increase of approximately 70% over the maximum public offering price of $10.00 per share.

This estimated value is based on the estimated value of the REIT's assets less the estimated value of the REIT's liabilities, or net asset value, divided by the number of shares outstanding as of September 30, 2016.[1] The value was based on the recommendation and valuation performed by the REIT's external advisor, KBS Capital Advisors, LLC, using the methodologies and assumptions described in the REIT's December 15, 2016 8-K filing (the "Valuation 8-K"). The appraisals were provided by the third-party real estate valuation firm Duff & Phelps, LLC for all real estate properties other than undeveloped land, and by Landauer Services, LLC for all investments in undeveloped land.

I am pleased to note that the increase in the estimated value per share from $13.44 to $14.81 was driven by an increase in the total appraised value of the REIT's real estate properties as of September 30, 2016, compared to the total appraised value from a year earlier, as well as by several acquisitions made in 2016. As of the December 2016 valuation, the REIT's portfolio consisted of 20 equity assets, with a combined estimated value of more than $1.7 billion.[2] Of the assets in the portfolio for both the 2015 and 2016 appraisals, Westmoor Center, the Plaza Buildings and Bellevue Tech Center had the greatest increases in appraised value.

- **Westmoor Center** in Denver experienced a $13.1 million increase in its appraised value from the prior year due to an increase in occupancy from 79% to 83%, and actual rental rates being higher than projected in the prior appraisal.
- **The Plaza Buildings** in Bellevue, WA, appraised for $10.6 million higher than the prior year due to continued improvements throughout the overall market, with increasing rental rates and decreasing vacancy. At the property, occupancy increased from 76% as of September 30, 2015 to 85% as of September 30, 2016.
- **Bellevue Tech Center** in Bellevue, WA, had its appraised value increase $8.1 million from the prior year appraised value also due to the improvements in the Bellevue market. The property also experienced strong rent growth and occupancy increased from 93% as of September 30, 2015 to 98% as of September 30, 2016.

In addition to the growth in value of existing assets in the portfolio, the REIT successfully issued $250 million in AA- rated bonds on the Israeli bond market in early 2016 and used those proceeds primarily to make additional acquisitions for the REIT's portfolio to add both growth and further portfolio diversification. The assets acquired include:

- **Westpark Portfolio** in Redmond, WA, was acquired for $125.8 million on May 10, 2016. This portfolio consists of 21 suburban office, flex and industrial buildings with more than 778,000 rentable square feet and over 41 acres of land. The portfolio is located near the Redmond central business district with close proximity to Microsoft headquarters. Although only owned since May 2016, the appraised value as of September 30 had increased to $135.8 million, an increase of $10 million in six months of ownership.
- The REIT acquired all of the non-controlling interests of **Park Highlands Land I and II** in North Las Vegas through multiple acquisitions in March and June 2016. These buyouts of the joint venture partners gave the REIT 100% ownership of the investments and added $41.6 million of value to the portfolio.

- **353 Sacramento** in San Francisco was acquired for $168.0 million on July 11, 2016. The 23-story office tower is located adjacent to the Embarcadero Center in the Financial District and was 85% leased at acquisition with in-place rents well below market.

The REIT has also achieved steady cash flow from operating activities, which has allowed the REIT to continue to pay quarterly dividends. On an annualized basis, the dividend was approximately 3.75% of the $10.00 public offering price throughout 2016. The REIT has paid total distributions of $2.25 per share of common stock since inception to those invested since the break of escrow in the REIT's initial public offering.

In 2017, the REIT will continue to explore opportunities to create value for stockholders. These include: 1) implementing the value-add strategy for remaining and new assets, primarily through lease-up and repositioning; 2) refinancing upcoming maturities to capitalize on a competitive lending environment; 3) strategically selling mature assets and exploring special distributions, and 4) exploring target liquidity options.

As always, thank you for your continued support. I look forward to providing you with future updates on the portfolio and these initiatives as they progress.

Sincerely,

Keith Hall
Chief Executive Officer

*[1] For a full description of the limitations, methodologies and assumptions used to value the REIT's assets and liabilities, and used in the calculation of the estimated value per share, see the Valuation 8-K.*
*[2] Value as of September 30, 2016, and is the net total of real estate, investments in unconsolidated JVs and minority interest.*

*This material includes forward-looking statements based on the current intent, belief, assumptions, estimates and expectations of the REIT and members of its management team, and generally are identified by the use of words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "plans," "intends," "should" or similar expressions. These statements depend on factors such as: the REIT's ability to pay future distributions; the REIT's ability to maintain occupancy levels and lease rates at its properties; the REIT's ability to successfully negotiate modifications, extensions or refinancings of its debt obligations; the REIT's ability to continue to raise capital to make additional investments; the future operating performance of the REIT's investments and future investments in the existing real estate and financial environment; the REIT's advisor's ability to identify investments that are suitable to execute the REIT's investment objectives; changes in interest rates on any variable rate debt obligations the REIT incurs; the level of participation in the REIT's dividend reinvestment plan; and other risks identified in the REIT's Securities and Exchange Commission reports, particularly the section entitled "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K. Any of these forward-looking statements could be inaccurate, and actual events or investments and results of operations could differ materially from those expressed or implied. Such forward-looking statements pertain only as of the date of this material. The REIT expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the REIT's or management's expectations with regard thereto or change in events, conditions, or circumstances on which any statement is based.*