KBS | Real Estate Investment Trust III

January 8, 2018

Dear KBS REIT III Stockholder:

On December 6, 2017, KBS Real Estate Investment Trust III, Inc.'s (the "REIT") board of directors approved a revised estimated value per share of the REIT's common stock of $11.73. This estimated value per share 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, all as of September 30, 2017,[1] with the exception of a reduction to the REIT's net asset value for deferred financing costs related to a portfolio loan facility that closed subsequent to September 30, 2017. The $11.73 estimated value per share represents a 10.3% increase over the December 2016 estimated value per share of $10.63, and a 17.3% increase over the first initial public offering price of $10.00 per share.

The estimated value per share was based on a calculation of the range in estimated value per share of the REIT's common stock by Duff & Phelps, LLC ("Duff & Phelps"), an independent third-party real estate valuation firm, and the recommendation of KBS Capital Advisors LLC, the REIT's external advisor (the "Advisor"), using the methodologies and assumptions described in the REIT's Current Report on Form 8-K, filed with the SEC on December 12, 2017 (the "Valuation 8-K"). The REIT also engaged Duff & Phelps to provide appraisals for 28 of its real estate properties owned as of September 30, 2017. The REIT's other real estate property under contract to sell as of December 6, 2017, was valued at its contractual sales price less estimated disposition costs and fee.

I am pleased to note that the increase in the estimated value per share from $10.63 to $11.73 was driven by an increase in the total appraised value of the REIT's real estate properties as of September 30, 2017, compared to the total appraised value from a year earlier. The following properties experienced the most significant increases in value in 2017:

- **The Towers at Emeryville**, in Emeryville, California, increased $37.5 million, or 11.8%, in appraised value from the September 30, 2016, appraisal due to record high lease rates in San Francisco driving demand and lease rates in the Oakland/Emeryville area just across the Bay Bridge. Downtown Oakland continues to improve with the development of thousands of housing units and a revitalized city center. As rents continue to grow and vacancy rates remain low, institutional investors are paying record prices for Class A properties in the area.

- **Almaden Financial Plaza** and **Ten Almaden**, in San Jose, California, had their September 30, 2017, appraised values increase $36.2 million, or 22.4%, and $21.7 million, or 15.8%, respectively, from the prior year appraised values. Technology companies have been moving to downtown San Jose to benefit from lower lease rates than San Francisco, and due to new housing, dining and entertainment options in the city center that have created an urban live/work/play environment. Almaden Financial Plaza has also benefited from the REIT's recent repositioning of the property. Prior to the REIT's ownership, the property was considered a well-located Class B property. With the completion of a new state-of-the-art tenant lounge, conference center and outdoor amenity area unlike anything in downtown, the REIT has been able to increase lease rates and occupancy levels higher than originally underwritten.

- **201 Spear Street**, in San Francisco, increased $35.1 million, or 20.4%, in its appraised value from the prior year due to the San Francisco office market continuing to thrive. Technology companies continue to lease large blocks of space in San Francisco in spite of the high lease rates in effort to

secure the best employee talent pool available in the Bay Area. Vacancy rates remain low even as new construction of space is delivered to the market, with most new buildings pre-leasing prior to completion. Rental rates continue to rise due to current market conditions.

- **201 17th Street**, in Atlanta, had its appraised value increase $11.3 million, or 10.9%, from the prior year appraised value due to continued market improvement and rent growth in Atlanta focused on urban submarkets with amenities and transportation infrastructure. 201 17th Street's midtown submarket has the lowest Class A vacancy of the four major urban Atlanta submarkets and the highest rent growth year over year. In May 2017, the REIT extended a tenant's lease of 112,372 square feet, or 31.6% of the building, for 78 months as part of a 10-year, 9,497 square-foot expansion. It was a direct lease at net rates for the extended space over $4.00/psf higher in 2022 than the REIT's market leasing assumptions with lower improvement costs.

- **Sterling Plaza**, in Dallas, Texas, increased $11.1 million, or 12.5%, from its prior year appraised value due to its average leased occupancy being at 97% and its rental rates growing to an all-time high of $25.50 NNN. A tenant recently signed a 10-year lease for 20,643 square feet at $25 NNN/psf that commenced in November 2017. Recent sales in the Dallas submarket also validate the value increase.

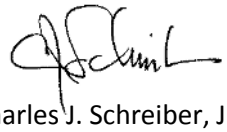
We are very pleased with the performance of the portfolio overall, which was valued at more than $4 billion as of September 30, 2017, with a cost basis of approximately $3.5 billion. The portfolio encompassed more than 11 million rentable square feet and was 95% leased, including leases signed but not yet commenced.

For 2018, the REIT's objectives include 1) completing two joint venture development projects consisting of an office project in the Denver submarket of Greenwood Village and a multifamily community in Salt Lake City, Utah; 2) completing other major capital projects, such as renovations or amenity enhancements, to continue to attract and retain quality tenants; 3) leasing up and stabilizing the remainder of the portfolio; 3) continuing to distribute operating cash flows to stockholders, and 4) monitoring the properties in the portfolio for beneficial sale opportunities in order to maximize value

For more information on the estimated value per share, please see the Valuation 8-K. In addition, you can view the December 2017 Valuation Presentation online at www.kbs-cmg.com, by clicking on "KBS Real Estate Investment Trust III" under "Offerings" and visiting the "Investor Information" section.

Thank you for your support of KBS REIT III. I look forward to providing you with future updates.

Sincerely,



Charles J. Schreiber, Jr.
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.*

The foregoing includes forward-looking statements within the meaning of the Federal Private Securities Litigation Reform Act of 1995. The REIT intends that such forward-looking statements be subject to the safe harbors created by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include statements regarding the intent, belief or current expectations of the REIT and members of its management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "plans," "intends," "should" or similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. The REIT undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law. Such statements are subject to known and unknown risks and uncertainties which could cause actual results to differ materially from those contemplated by such forward-looking statements. The REIT makes no representation or warranty (express or implied) about the accuracy of any such forward-looking statements. These statements are based on a number of assumptions involving the judgment of management. The appraisal methodology for the REIT's real estate properties assumes the properties realize the projected NOI and expected exit cap rates and that investors would be willing to invest in such properties at yields equal to the expected discount rates. Though the appraisals of the real estate properties, with respect to Duff & Phelps, and the valuation estimates used in calculating the estimated value per share, with respect to Duff & Phelps, the Advisor and the REIT, are the respective party's best estimates as of September 30, 2017 or December 6, 2017, as applicable, the REIT can give no assurance in this regard. Even small changes to these assumptions could result in significant differences in the appraised values of the real estate properties and the estimated value per share. These statements also depend on factors such as: future economic, competitive and market conditions; the REIT's ability to maintain occupancy levels and rental rates at its real estate properties; and other risks identified in Part I, Item 1A of the REIT's Annual Report on Form 10-K for the year ended December 31, 2016, and Part II, Item 1A of the REIT's Quarterly Report on Form 10-Q for the period ended September 30, 2017, each as filed with the SEC. Actual events may cause the value and returns on the REIT's investments to be less than that used for purposes of the REIT's estimated value per share.