



KBS

Real Estate  
Investment  
Trust III

Portfolio Update  
Fourth Quarter, 2019



# Important Disclosures

The information contained herein should be read in conjunction with, and is qualified by, the information in KBS Real Estate Investment Trust III's (the "Company" or "KBS REIT III") Annual Report on Form 10-K for the year ended December 31, 2019 (the "Annual Report"), including the "Risk Factors" contained therein. For a full description of the limitations, methodologies and assumptions used to value the Company's assets and liabilities in connection with the calculation of the Company's estimated value per share, see the Company's Current Report on Form 8-K, filed with the SEC on December 12, 2019.

## Forward-Looking Statements

Certain statements contained herein may be deemed to be forward-looking statements within the meaning of the Federal Private Securities Litigation Reform Act of 1995. The Company 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 Company 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 Company 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 Company 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 Company may fund distributions from any source including, without limitation, from offering proceeds or borrowings. Distributions paid through December 31, 2019 have been funded with cash flow from operating activities, debt financing and proceeds from asset sales. There are no guarantees that the Company will continue to pay distributions or that distributions at the current rate are sustainable. No assurances can be given with respect to distributions. Actual events may cause the value and returns on the Company's investments to be less than that used for purposes of the Company's estimated NAV per share. With respect to the estimated NAV per share, the appraisal methodology used for the appraised properties assumes the properties realize the projected net operating income and expected exit cap rates and that investors would be willing to invest in such properties at yields equal to the expected discount rates. The valuation for the Company's investment in units of Prime US REIT assumes a discount for the holding period risk attributable to transfer restrictions and blockage due to the quantity of units held by the Company and such discount is driven by trading volume in Prime US REIT's units in the public market and expected future volatility.

Though the appraisals of the appraised properties and the valuation of the Company's investment in units of Prime US REIT, with respect to Duff & Phelps, and the valuation estimates used in calculating the estimated value per share, with respect to Duff & Phelps, the Company's advisor and the Company, are the respective party's best estimates as of September 30, 2019, December 3, 2019 or December 4, 2019, as applicable, the Company can give no assurance in this regard. Even small changes to these assumptions could result in significant differences in the appraised values of the appraised properties, the valuation of the Company's investment in units of Prime US REIT and the estimated value per share. Further, the Company can make no assurances with respect to the future value appreciation of its properties and ultimate returns to investors.

Stockholders may have to hold their shares for an indefinite period of time. The Company can give no assurance that it will be able to provide additional liquidity to stockholders. The Company's conflicts committee, which is composed of all of its independent directors, has approved the pursuit of the Company's conversion to a perpetual-life NAV REIT. However, the Company's conversion to an NAV REIT remain subject to further approval of the conflicts committee and board of directors, and regulatory, market or business considerations may influence the Company to delay the implementation of the NAV REIT conversion or abandon the Company's conversion to an NAV REIT. Even if the Company converts to an NAV REIT, there is no assurance that the Company will successfully implement its strategy.

The statements herein also depend on factors such as: future economic, competitive and market conditions; the Company's ability to maintain and/or improve occupancy levels and rental rates at its real estate properties; and other risks identified in Part I, Item 1A of the Company's Annual Report.

# November 4, 2019 Special Dividend

The December 2019 estimated value per share would have been \$12.45 before the Special Dividend, and was \$11.65 after the Special Dividend paid in December 2019.

Only the cash portion of the Special Dividend ultimately impacted the value of shares held in a client’s account, as the stock distribution increased the number of shares owned and decreased the value of each share but did not impact the total account value. The following illustrates the pre- and post-special distribution value of an account originally holding one share for which a cash election was made for the Special Dividend.

## As a result of taxable capital gains, the REIT authorized a Special Dividend to stockholders as of November 4, 2019 that was paid in December 2019

KBS REIT III paid a Special Dividend of \$0.80 per share of common stock in December 2019 as a result of generating a significant amount of taxable capital gains from the Singapore Portfolio sale. The Special Dividend was paid in the form of either (1) cash or (2) shares of KBS REIT III’s common stock, at the election of our shareholders; provided that the aggregate cash portion of the Special Dividend distributed by the REIT was capped at 35% of the total Special Dividend with the remainder paid in stock. As certain investors elected to receive all of the Special Dividend in stock, shareholders that made a cash election received 37.6% of the dividend in cash with the remainder paid in stock.

### Special Dividend on Stockholder Account:

	Estimated Value Per Share	Total Shares	Total Account Value	Cash Distributions	Total Account Value and Cash Distributions
December 4, 2019 before Special Dividend	\$12.45	1.00000	\$12.45	-	\$12.45
<u>Special Dividend</u>					
Cash Distribution	(\$0.30)	-	-	\$0.30	-
Stock Distribution Value <sup>1</sup>	(\$0.50)	0.04292	-	-	-
December 4, 2019 after Special Dividend	\$11.65	1.04292	\$12.15	\$0.30	\$12.45

<sup>1</sup> Stockholders that made a cash election received 0.04292 shares per share of common stock outstanding from the Special Dividend.





RBC Plaza  
Minneapolis, MN

# Current Portfolio of Properties<sup>1</sup>

**\$3.2 Billion**

- ✓ Urban, Well-Located, Institutional-Quality Portfolio
- ✓ Mass Transit Connectivity
- ✓ Growth Markets & Urban Live/Work/Play Locations
- ✓ Recently Renovated and Amenitized Buildings

- **19 Class A Properties**
- **7.8 Million RSF**
- **90.6% Leased<sup>2</sup>**
- **4.8 Years Weighted Average Lease Term<sup>3</sup>**
- **In-place Rents 10% Below Market**
- **28% STEM/TAMI Tenants<sup>4</sup>**

<sup>1</sup> Includes current portfolio of properties as of December 31, 2019, value based solely on the appraised values as of September 30, 2019 as reflected in the December 2019 estimated share value. The appraised values do not take into account estimated disposition costs and fees. Excludes Hardware Village, a multifamily development project, which was held for sale as of December 31, 2019.

<sup>2</sup> As of December 31, 2019. Leased percentage includes future leases that have been executed but have not yet commenced.

<sup>3</sup> As of December 31, 2019, and represents the weighted average lease term remaining based on occupied square feet.

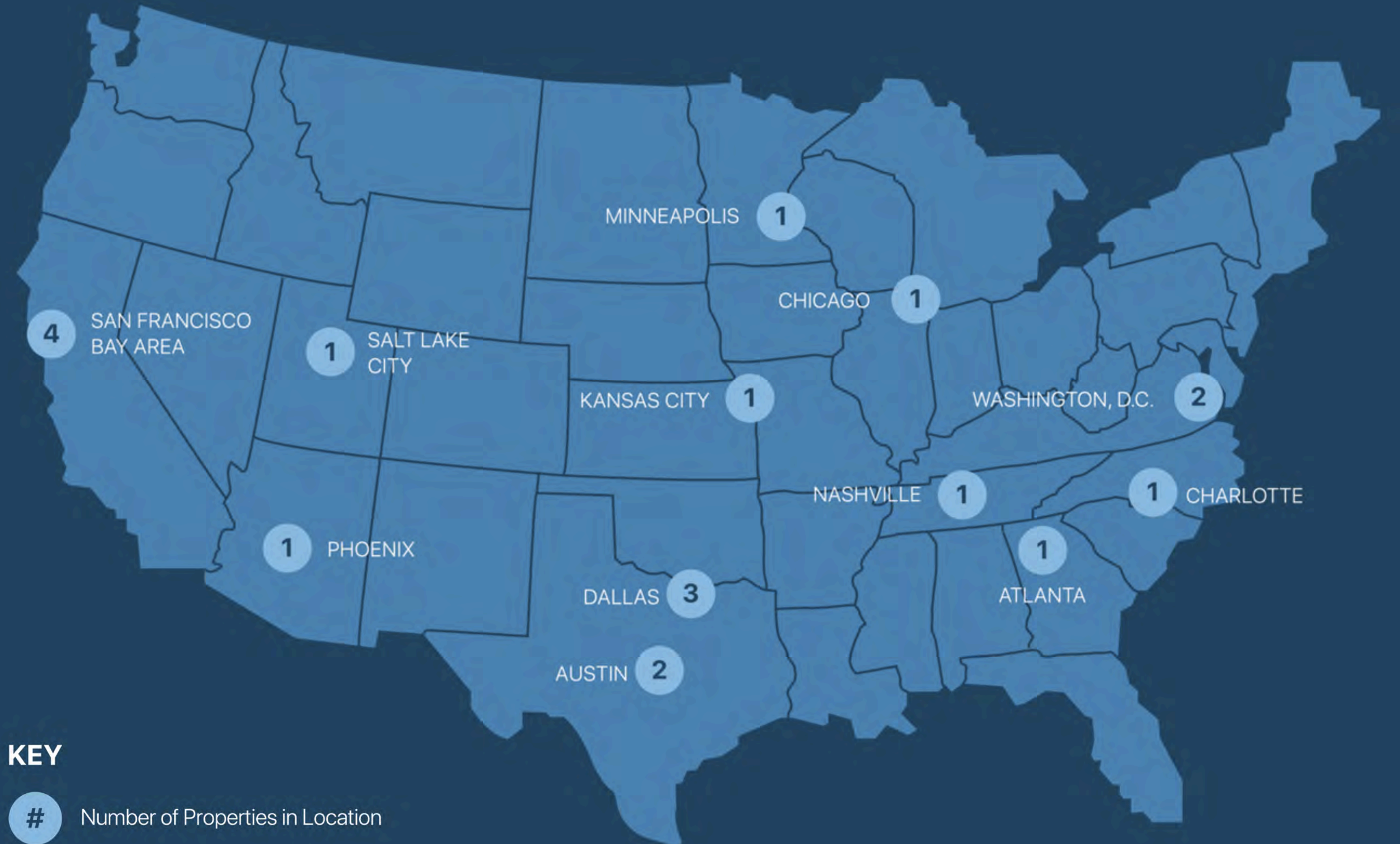
<sup>4</sup> STEM is an industry abbreviation which stands for science, technology, engineering, and math, and TAMI stands for technology, advertising, media, and information.



# The Current Portfolio of Properties

The following map shows the markets where the current portfolio of properties is located. It is:

- In major target markets which are high-ranked as office absorption leaders in the last 10 years
- In top tech markets.
- In prime locations within the markets, via proximity to urban centers, an educated workforce, attractive live/work/play amenities, and/or mass transit.



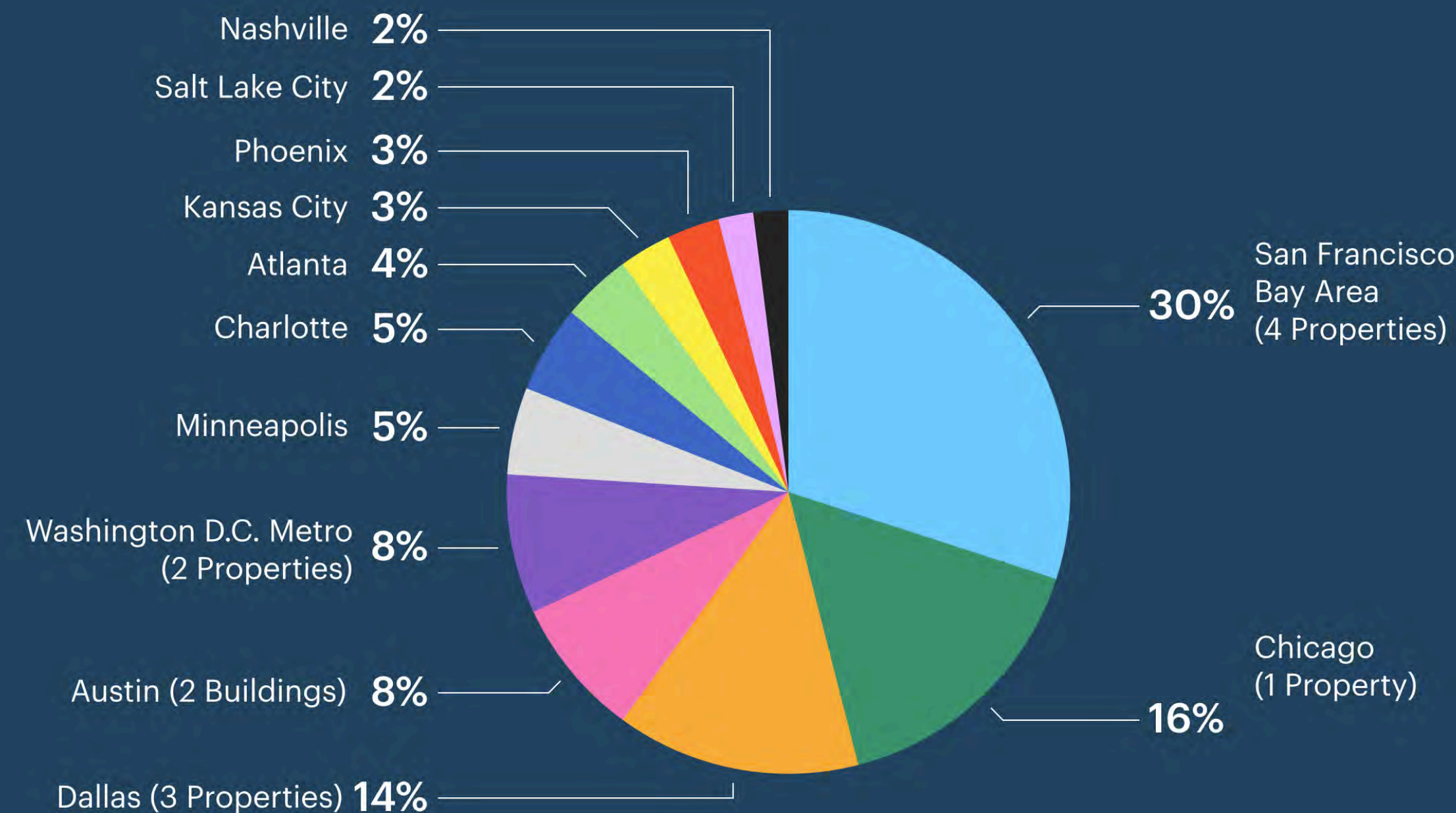


# Statistics for the Current Portfolio

Market Diversification <sup>1</sup>

Invested in Target Markets:

**50%** of value<sup>2</sup> in CBRE's Top 10 Tech Markets  
**90%** of value<sup>2</sup> in CBRE's Top 25 Tech Markets

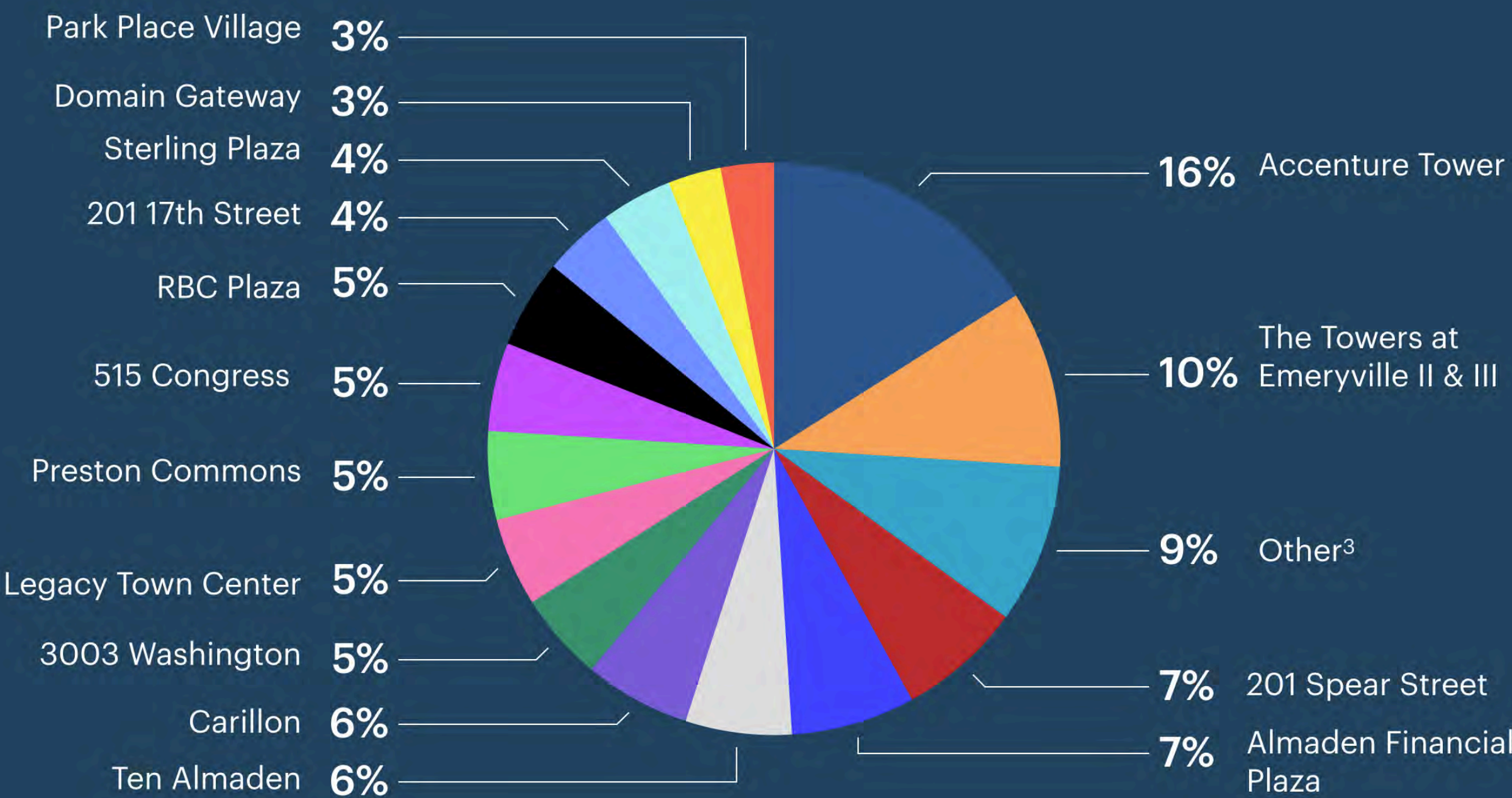


<sup>1</sup> Based solely on the appraised values as of September 30, 2019 as reflected in the December 2019 estimated share value for the current portfolio of properties. The appraised values do not take into account estimated disposition costs and fees.  
<sup>2</sup> Per CBRE's 2019 Tech Talent Report

Asset Diversification <sup>1</sup>

Asset Diversification:

Largest asset accounts for just **16%**

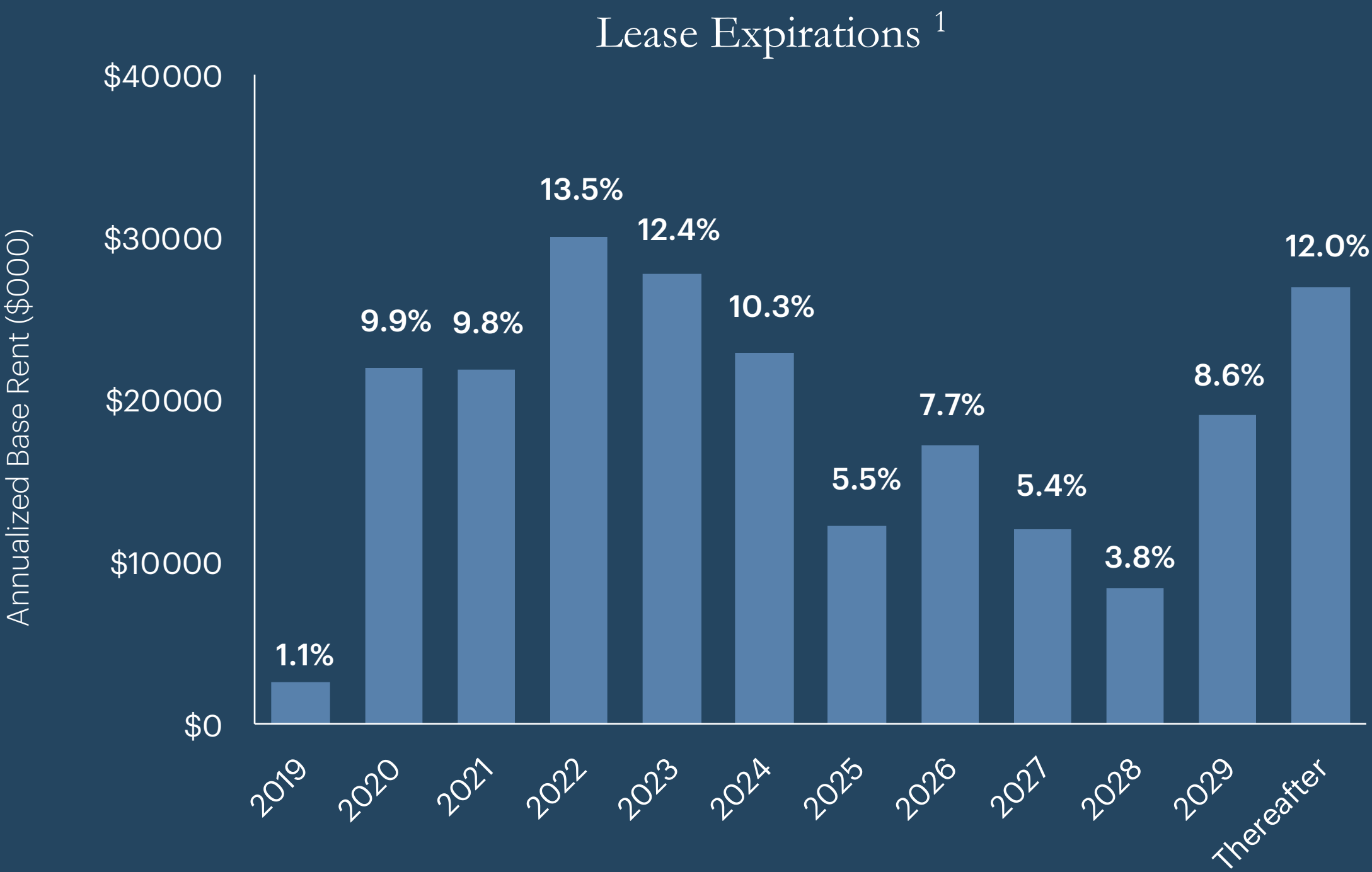
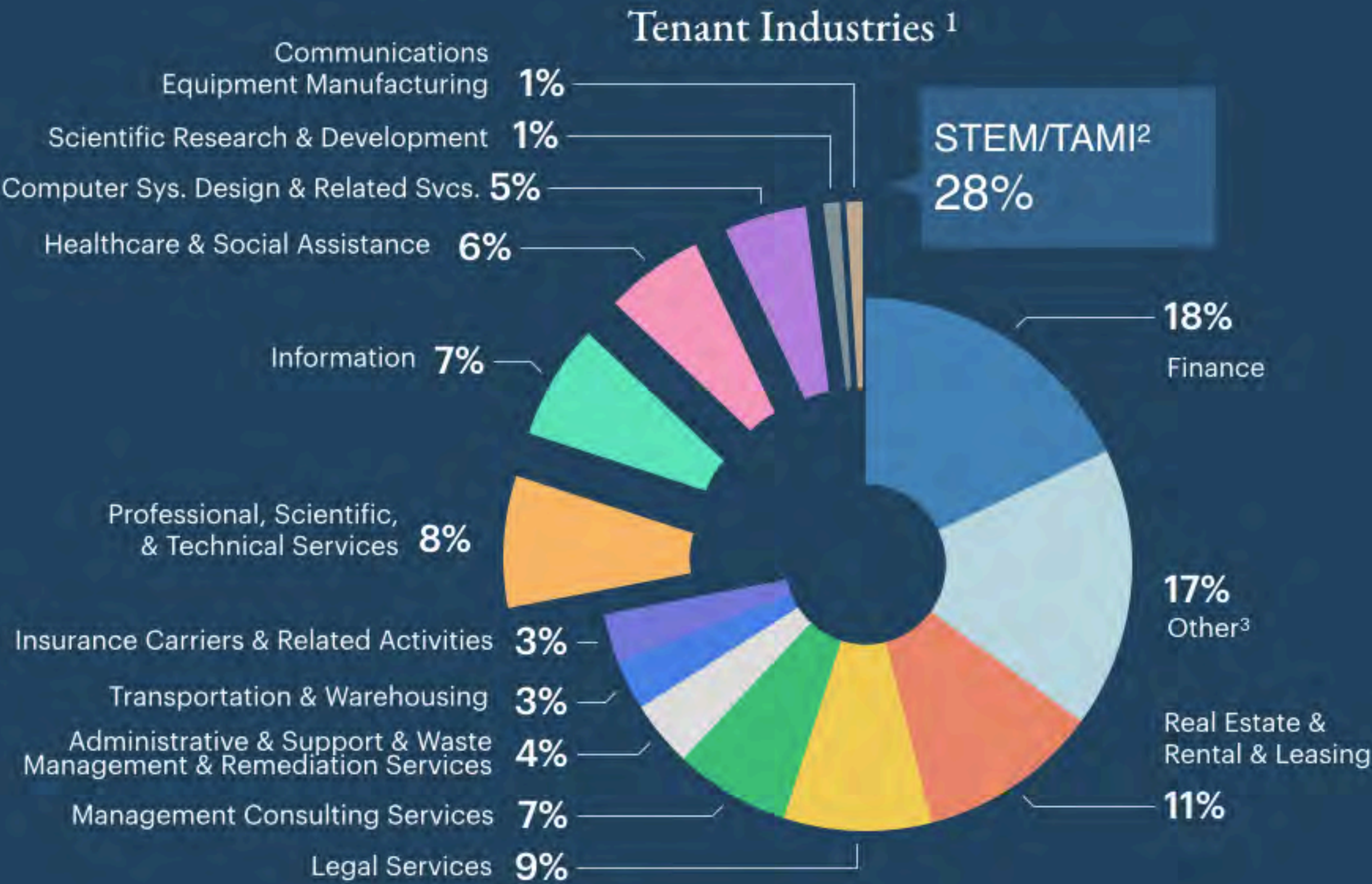


<sup>3</sup> "Other" is comprised of various properties that individually represent less than 3% or less of total value.



# Statistics for the Current Portfolio

Over 650 Tenants with Staggered Lease Expirations and Industry Diversification



<sup>1</sup> Annualized base rent represents annualized contractual base rental income as of December 31, 2019, adjusted to straight-line any contractual tenant concessions (including free rent), rent increases and rent decreases from the lease's inception through the balance of the lease term. Percent of annualized base rent is based on total annualized base rent of the current portfolio, excluding Hardware Village.

<sup>2</sup> STEM is an industry abbreviation which stands for science, technology, engineering, and math, and TAMI stands for technology, advertising, media, and information.

<sup>3</sup> "Other" is comprised of various industries that individually represent less than 3.0% of total annualized base rent, excluding STEM/TAMI industries.

- Industry diversification provides downside protection from any single industry. No one sector represents over 18% of the total portfolio.
- STEM/TAMI<sup>2</sup>, the fastest growing sector, represents 28% of the total portfolio.



## REIT III Goals & Objectives

- ✓ Provide enhanced shareholder liquidity
- ✓ Pursue NAV REIT Conversion
- ✓ Complete major capital projects, such as renovations or amenity enhancements, with the goal of attracting quality tenants
- ✓ Complete disposition of Hardware Village property
- ✓ Lease-up and stabilize all properties in the portfolio with an emphasis in capital investments leading to stabilized occupancy at increased market rental rates
- ✓ Distribute operating cash flows to stockholders
- ✓ Continue to monitor the properties in the portfolio for beneficial sale opportunities in order to maximize value





THANK YOU

KBS Capital Markets Group  
Investor Relations

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