

# KBS | REIT II

December 31, 2020

Dear KBS REIT II Stockholder:

Pursuant to the terms of KBS Real Estate Investment Trust II, Inc.'s (the "REIT") plan of complete liquidation and dissolution (the "Plan of Liquidation"), on December 24, 2020, the Company's board of directors authorized a third liquidating distribution in the amount of \$0.40 per share of common stock to the Company's stockholders of record as of the close of business on December 24, 2020 (the "Third Liquidating Distribution"). The Third Liquidating Distribution will be funded with proceeds from the sale of two office buildings in Corporate Technology Centre – 250 Holger in September 2020 and 350 Holger in December 2020. The Company expects to pay the Third Liquidating Distribution on December 30, 2020. Including the Third Liquidating Distribution, the total liquidating distributions paid to date is \$1.40 per share.

Since the Third Liquidating Distribution is a liquidating distribution pursuant to the Plan of Liquidation, it will reduce the REIT's stockholders' remaining investment in the REIT and reduce the estimated future liquidating distributions per share to be received by the REIT's stockholders by \$0.40 per share. In connection with the Third Liquidating Distribution, the REIT's board of directors approved an updated estimated value per share of the REIT's common stock of \$2.01, effective December 30, 2020. For more information in connection with the estimated value per share, see the REIT's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 28, 2020.

## **Portfolio Update**

### **District | 237 (formerly Corporate Tech Centre), San Jose, California**

Corporate Tech Centre, campus of eight buildings, was rebranded and repositioned in early 2019 after the vacancy of Ericsson, which allowed KBS to better position the assets for today's technology companies. The REIT executed a series of strategic renovations such as creating large collaborative open workspaces, adding a tenant amenity package, renovating the lobbies and other interior spaces, and updating the landscaping, in order to create a campus environment among the buildings. Seven buildings have been sold since ownership and as of December 2020, one building remains under REIT ownership.

### **Granite Tower, Denver, Colorado**

Significant renovations have been made to Granite Tower, which includes a bright and transparent architectural pavilion that expands the main lobby and ground floor common area which support a new food and beverage operation extending to the upgraded outdoor gathering space. A new 100-bicycle storage facility will be located adjacent to the expanded lobby with easy access to the building elevators. The capstone of the new improvements will be converting the entire third floor into a new amenity floor, which will feature an open lounge and outdoor deck overlooking downtown. Tenants will be able to host formal meetings accommodating up to 138 people in the new conference facility and enjoy a new gym with group workout classes, Peloton bikes and locker rooms.

## **Final Remarks**

The global COVID-19 pandemic has negatively impacted almost every industry, including the U.S. office real estate market and the industries of the REIT's tenants, directly or indirectly. The ongoing long-term impact of the COVID-19 pandemic on the capital and financial markets, including the U.S. real estate office market, remains uncertain. The REIT, while pursuing the Plan of Liquidation approved by stockholder on March 5, 2020, intends to continue to manage its portfolio of assets to maintain and, if possible, improve the quality and income-producing ability of its properties to enhance property stability and better position the remaining assets for sale. While rent collections have been strong, COVID-19 has certainly impacted the estimated liquidation value of the REIT's portfolio. The REIT did decrease its real estate values by \$71.2 million due to changes in leasing projections across its portfolio resulting in lower projected cash flow and projected sales prices caused by the impact of the COVID-19 pandemic. Additionally, COVID-19 has delayed the sales timing of certain assets; however, the REIT expects to complete its liquidation within 24 months from time of stockholders' approval of the Plan of Liquidation.

Looking forward to 2021, the REIT will attempt to maximize value of the properties and allow capital markets to improve while continuing its focus on its liquidation strategy to strategically sell assets and pay liquidating distributions, manage lease renewals or new leases in an attempt to enhance the property for prospective buyers and complete renovations or amenity enhancements in order to attract quality buyers. The REIT expects to pay liquidating distributions to its stockholders during the liquidation process and to pay the final liquidating distribution after it sells all of its properties, pays all of its known liabilities and provides for unknown liabilities.

I look forward to providing you with future updates on the REIT's liquidation.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles J. Schreiber, Jr." followed by "Schreiber".

Charles J. Schreiber, Jr.  
Chief Executive Officer

## **IMPORTANT DISCLOSURES**

The information contained herein should be read in conjunction with, and is qualified by, the information in KBS Real Estate Investment Trust II's (the "Company" or "KBS REIT II") Annual Report on Form 10-K for the year ended December 31, 2019 (the "Annual Report"), and in the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2020 (the "Quarterly Report"), including the "Risk Factors" contained therein.

### **Forward-Looking Statements**

*The foregoing includes 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 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.*

*There are many factors that may affect the amount of liquidating distributions the Company will ultimately pay to its stockholders, including, among other things, the ultimate sale price of each asset, changes in market demand for office properties during the liquidation process, the amount of taxes, transaction fees and expenses relating to the liquidation and dissolution, and unanticipated or contingent liabilities arising hereafter. No assurance can be given as to the amount or timing of liquidating distributions the Company will ultimately pay to its stockholders. If the Company underestimated its existing obligations and liabilities or if unanticipated or contingent liabilities arise, the amount of liquidating distributions ultimately paid to the Company's stockholders could be less than estimated.*

*The COVID-19 pandemic, together with the resulting measures imposed to help control the spread of the virus, has had a negative impact on the economy and business activity globally. The extent to which the COVID-19 pandemic impacts the Company's operations and those of its tenants and the Company's implementation of the Plan of Liquidation, depends on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, among others. Given the uncertainty and current business disruptions as a result of the outbreak of COVID-19, the Company's implementation of the Plan of Liquidation may be materially and adversely impacted, and this may have a material effect on the ultimate amount and timing of liquidating distributions received by stockholders.*

*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 value per share and net proceeds from liquidation. The Company's estimated range in net proceeds from liquidation was based on the range in estimated value per share of the Company's common stock approved by the Company's board of directors on November 13, 2019, adjusted for estimated costs and fees the Company would incur during the implementation of the Plan of Liquidation. The appraisal methodology used for the Company's properties that were appraised as part of the valuation process (the "Appraised Properties") assumes the Appraised 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. Though the appraisals of the Appraised Properties, with respect to CBRE, and the valuation estimates used in calculating the November 13, 2019 estimated value per share, with respect to the Company and the Advisor, were the respective party's best estimates as of September 30, 2019 or November 13, 2019, as applicable, the Company can give no assurance in this regard. For a full description of the methodologies, limitations and assumptions used in the calculation of the estimated range in net proceeds from liquidation, see the Company's Proxy Statement. Even small changes to these assumptions could result in significant differences in the appraised values of the Appraised Properties, the estimated value per share and the estimated net proceeds from liquidation.*

*The forward-looking statements 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 during the liquidation process; the Company's ability to sell its real estate properties at the times and at the prices it expects; the Company's ability to successfully negotiate modifications, extensions or any needed refinancing of its debt obligations; the Company's ability to successfully implement the Plan of Liquidation and other risks identified in the Company's Proxy Statement, in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "Annual Report") and in Part II, Item 1A of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2020 (the "Quarterly Report"). You should interpret many of the risks identified in this Current Report on Form 8-K, in the Proxy Statement, in the Annual Report and in the Quarterly Report, as being heightened as a result of the ongoing and numerous adverse impacts of the COVID-19 pandemic.*