

KBS | REIT III

December 31, 2021

Dear KBS REIT III Stockholder:

As the COVID-19 pandemic continues to negatively impact the capital and financial markets, including the U.S. real estate office market and certain other industries, KBS Real Estate Investment Trust III, Inc. (the “REIT”) continues to efficiently manage its portfolio in order to maximize the long-term values for its stockholders. Although short-term rent relief has been granted to a number of the REIT’s tenants, mostly in the form of rent deferrals, the REIT’s rent collections remain strong with percentage of rent collected for the last three reportable quarters at 98, thus affording the REIT the ability to continue supporting its current annualized distribution rate of 6.5% (based on an initial purchase price of \$10/share less the \$0.80 per share special distribution paid in December 2019).

The 17 REIT portfolio properties are located in targeted technology markets with 49% of value of these properties located in the CBRE’s 10 top-ranked Tech Talent markets and 89% of value of these properties located in the CBRE’s 25 top-ranked Tech Talent markets.¹ STEM/TAMP² tenants, the fastest growing sector, represent 25% of the total portfolio based on annualized base rent. With a current estimated real estate value of over \$3.0 billion, a loan-to-value of 48.1%, leased occupancy at 88.8% and strong rent collections at 98%, management believes it is well-positioned to navigate through the pandemic.³

The REIT continues to execute strategic sales to maximize returns and enhance its liquidity position as it prepares for a NAV REIT conversion. On November 2, 2021, the REIT sold Domain Gateway, a Class A office building located in Austin, Texas, for a gross sales price of \$143.0 million, which represented a 14.6% or \$18.3 million increase above the May 2021 property value. The cost basis, which includes purchase price plus capital expenditures through disposition, was \$69.1 million. On November 12, 2021, the REIT sold 73.7 million units of Prime US REIT shares generating gross proceeds of approximately \$60.0 million.

In order to provide additional liquidity to its stockholders that is in excess of that permitted under the REIT’s share redemption program, on June 4, 2021, the REIT commenced a self-tender offer for up to 33,849,130 shares of common stock at a price of \$10.34 per share, or approximately \$350.0 million worth of shares. On July 12, 2021, the REIT accepted for purchase 26,377,990 shares at a purchase price of \$10.34 per share, or approximately \$272.7 million worth of shares, which represented 100% of the shares that were properly tendered.

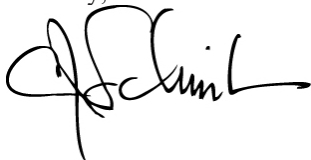
Final Remarks

Management believes that conversion to a Net Asset Value REIT could fulfill certain key objectives of the REIT, including balancing stockholder desire for liquidity, as well as their desire to stay invested. The COVID-19 pandemic caused the REIT to delay certain asset sales and refinancing plans, which has delayed the timing of the conversion. While we believe the REIT’s portfolio is well-positioned to continue to successfully respond to the COVID-19 pandemic, the REIT’s conflicts committee and board of directors continue to evaluate the effects of the COVID-19 pandemic on the industry, compelling them to consider the timing and likelihood of success of the proposed NAV REIT conversion. As the board of directors continues to evaluate the potential NAV REIT conversion and consider the timing, management of the REIT will continue to focus on the following goals and objectives for 2022:

- Distribute operating cash flows to stockholders.
- Efficiently manage the real estate portfolio throughout the COVID-19 pandemic in order to maximize the long-term portfolio value to stockholders.
- Maintain a substantial amount of liquidity in the REIT in order to continue to enhance asset values and provide stockholder liquidity.
- Continue to monitor the properties in the portfolio for any beneficial sale opportunities in order to maximize value.
- Work with the board of directors to finalize the decision on the NAV REIT conversion.

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

Sincerely,



Charles J. Schreiber, Jr.
Chief Executive Officer

¹Per CBRE's 2021 Tech Talent report

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

³Current portfolio of properties as of November 2021, excluding Domain Gateway, which was sold on November 2, 2021. Value based solely on the appraised values as of September 30, 2021. The appraised values do not consider estimated disposition costs and fees. Loan-to-Value equals the total debt as of September 30, 2021, divided by the November 2021 estimated value of the portfolio of properties of \$3.0 billion, the contractual sales price of Domain Gateway, which was sold on November 2, 2021, and the estimated value of KBS REIT III's investment in Prime US REIT as of October 22, 2021.

IMPORTANT DISCLOSURES

The information contained herein should be read in conjunction with, and is qualified by, the information in the REIT's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Annual Report"), and Quarterly Report on Form 10-Q for the period ended September 30, 2021 (the "Quarterly 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 November 4, 2021.

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 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 appraisal methodology 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 to account for the holding period risk due to the quantity of units held by the Company relative to the normal level of trading volume in Prime US REIT's units in the public market and expected future volatility. Even small changes to these assumptions could result in significant differences in the valuations.

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 COVID-19 pandemic is negatively impacting almost every industry, including the U.S. office real estate industry and the industries of the Company's tenants, directly or indirectly. The extent to which the COVID-19 pandemic impacts the Company's business, financial condition, results of operations and cash flows 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. The Company may fund distributions from any source including, without limitation, from offering proceeds or borrowings. Distributions paid through September 30, 2021 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.

The Company cannot predict future redemption demand with any certainty. If future redemption requests exceed the redemption limitations under the Company's share redemption program, the number of rejected redemption requests will increase over time. Stockholders may have to hold their shares an indefinite period of time. The Company can provide no assurance that it will be able to provide additional liquidity to stockholders.

The Company can give no assurance that it will continue to pursue a 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.

These statements also depend on factors such as: future economic, competitive and market conditions; the Company'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 Company's Annual Report and in Part II, Item 1A of the Company's Quarterly Reports. You should interpret many of the risks as being heightened as a result of the ongoing and numerous adverse impacts of the COVID-19 pandemic. 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.