

# KBS | REIT III

July 21, 2023

Dear Stockholder,

As you know, the country is navigating through challenging times, especially on the economic front. The current economic downturn is affecting businesses across the country, including some of our tenants. In addition, the increase in inflation has impacted and continues to impact the profitability of many businesses especially when labor cost, energy cost and other commodity cost accelerate causing stresses on these businesses and their ability to control costs.

This economic downturn, as well as the increased cost of debt (higher interest rates) due to the increase in the Fed Rate by the Federal Reserve Board, has created extreme challenges for operating costs, property valuations, and financing of commercial real estate. These higher rates have a negative impact on the broader economy, and we are not immune to these impacts and the challenges they present, especially the decrease in property values in some of the markets we are invested in and the restrictiveness of the debt markets.

We have a number of loans maturing in the next 12 months for which all but one of them has contractual extension options. These extension options require updated appraisals in order to determine the size of the loan that will be extended. As a result of the current interest rate environment, slow return to office in certain markets, and other social and economic events, there is substantial downward pressure on the value of real estate assets, especially in the office sector. We anticipate we will likely lose a substantial amount of loan commitment and need to make a paydown on the outstanding loan balances in connection with extending our maturing debt. Reduced commitment levels, which have helped us fund capital expenditures at our assets, combined with higher interest rates on new debt, will have a dramatic negative impact on cash flow and reduce the funds available for distributions to stockholders.

In order to preserve the capital necessary to manage our assets efficiently and effectively, as well as lease up the commercial buildings, the Board has decided that the timing and amount of stockholder distributions will change. We will move to quarterly assessments of distributions, and by the last month of each calendar quarter the Board will make a decision on the distribution amount (if any) to be paid. If it is determined that there are sufficient capital resources to support a distribution, it will be announced by the last month of the calendar quarter and paid in the following month. In the near term it is likely that we will not pay distributions until there is some improvement in the debt and capital markets. For further discussion behind this decision, please view our most recent webcast presentation available on [webcast.kbs.com](http://webcast.kbs.com).

Through these economic challenging times, our management team will continue to manage the real estate portfolio as efficiently as possible with the goal of maximizing long-term portfolio value by increased leasing of our properties, which we expect to translate into better cash-flow and potentially higher property values.

We thank you for your understanding. Should you have any questions, please contact our Investor Relations department at 866-527-4264.

Sincerely,



Marc DeLuca  
Chairman of the Board

## 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 March 31, 2023, 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.