



# Portfolio Update

February 2025

3003 Washington  
Arlington, VA

# 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, Inc.'s (the "Company", "KBS REIT III", "we" or "our") Annual Report on Form 10-K (the "Annual Report"), and in the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2024 (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 December 20, 2024 (the "Valuation 8-K").

## 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 harbor 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 "could", "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.

You should interpret many of the risks identified in this presentation and in the Company's Annual Report and Quarterly Report as being heightened as a result of the continued disruptions in the financial markets impacting the U.S. commercial real estate industry, especially as it pertains to commercial office buildings, the challenging commercial real estate lending environment, the current interest rate environment, leasing challenges in certain markets where KBS REIT III owns properties and the lack of transaction volume in the U.S. office market as well as general market instability. There can be no assurance as to when the markets will stabilize.

Though the appraisals of the appraised properties and the valuation of the Company's investment in units of Prime US REIT, with respect to Kroll, and the valuation estimates used in calculating the estimated value per share, with respect to Kroll, the Advisor and the Company, are the respective party's best estimates as of the dates of the respective valuations, the Company can give no assurance in this regard. Even small changes to these assumptions could result in significant differences in the appraisal values of the appraised properties, the valuation of the Company's investment in the units of Prime US REIT and the estimated value per share. The Company can give no assurances with respect to the ultimate return to investors. Valuations for U.S. office properties continue to fluctuate due to weakness in the current real estate capital markets and the lack of transaction volume for U.S. office properties, increasing the uncertainty of valuations in the current market environment. Our significant investment in the equity securities of Prime US REIT (the "SREIT"), a traded Singapore real estate investment trust, is subject to the risks associated with real estate investments as well as the risks inherent in investing in traded securities, including, in this instance, risks related to the quantity of units held by us relative to the trading volume of the units. Due to the disruptions in the financial markets, the trading price of the common units of the SREIT has experienced substantial volatility and has been significantly impacted by the market sentiment for stock with significant investment in U.S. office buildings.

# Important Disclosures

## Forward-Looking Statements

In order to refinance, restructure or extend maturing debt obligations, KBS REIT III has been required to reduce the loan commitments and/or make paydowns on certain loans, and KBS REIT III has agreed to satisfy certain conditions that are not in its sole control, including making principal paydowns during the terms of the loans, selling assets and taking identified actions relating to its portfolio. Selling real estate assets in the current market may result in a lower sale price than KBS REIT III would otherwise obtain. KBS REIT III will be adversely affected if it is unable to satisfy the terms and conditions contained in its loan agreements. There is no assurance that KBS REIT III will be able to satisfy the terms and conditions of its existing loan agreements or the terms and conditions of any future extension or refinancing agreements that are entered into. If KBS REIT III is unable to make required principal paydowns under certain loans, sell assets or satisfy certain covenants and conditions in its loan agreements, the lenders may seek to foreclose on the underlying collateral. KBS REIT III's loan agreements contain cross default provisions whereby the occurrence of (or a demand following) an "event of default" under one or more of its debt facilities may trigger a default under certain other debt facilities and the guaranty obligations in respect thereof, thereby giving lenders a right to accelerate the relevant debt obligations and exercise their enforcement rights with respect thereto. KBS REIT III has pledged the equity of certain of its subsidiaries (and all proceeds therefrom) in connection with the restructuring of certain debt facilities. If an event of default occurs under such debt facilities and the lenders party thereto elect to exercise their enforcement rights thereunder, one of the remedies available to them is to take possession of the relevant pledged equity. If KBS REIT III is unable to satisfy the terms and conditions contained in its loan agreements or successfully refinance or restructure certain of its debt instruments, KBS REIT III may seek the protection of the bankruptcy court to implement a restructuring plan. As a result of KBS REIT III's upcoming loan maturities, the challenging commercial real estate lending environment, the current interest rate environment, leasing challenges in certain markets where KBS REIT III owns properties and the lack of transaction volume in the U.S. office market as well as general market instability, there may continue to be substantial doubt about KBS REIT III's ability to continue as a going concern, though such risk has been reduced substantially as a result of the refinancing activity completed in the last 12 months.

Stockholders may have to hold their shares for an indefinite period of time. Due to certain restrictions and covenants included in KBS REIT III's loan agreements as a result of refinancing certain of its debt facilities, KBS REIT III does not expect to pay any dividends or distributions or redeem any shares of common stock until certain loans are repaid or refinanced. One of the loans with these restrictions has a current maturity of January 2027 but may be extended subject to the terms and conditions of the loan agreement. KBS REIT III can provide no assurance that it will be able to provide additional liquidity to stockholders.

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 most recent Annual Report.

# 2024 Fund Transaction Recap through February 2025



## Refinanced or extended the following loans<sup>1</sup>:

- Amended and Restated Portfolio Loan Facility - \$466M
- Accenture Tower Loan - \$306M
- Modified Portfolio Revolving Loan Facility – \$203M
- 3003/3001 Washington Loan - \$139M
- Carillon - \$88M
- Credit Facility - \$63M



Sold the McEwen building in February 2024 for \$49M.



Sold the Preston Commons building in November 2024 for \$151M, one of the few office sale transactions in 2024 in excess of \$150M.

<sup>1</sup> Principal balance as of loan extension or modification closing.



Accenture Tower  
Chicago, IL

# Portfolio Overview

| Property / Region              | Rentable SF      | Region  | City/State         | Actual Leased Occupancy |
|--------------------------------|------------------|---------|--------------------|-------------------------|
|                                |                  |         |                    | December 31, 2024       |
| Gateway Tech Center            | 210,938          | West    | Salt Lake City, UT | 95%                     |
| Ten Almaden                    | 309,255          | West    | San Jose, CA       | 52%                     |
| Towers at Emeryville           | 593,484          | West    | Emeryville, CA     | 58%                     |
| The Almaden                    | 416,126          | West    | San Jose, CA       | 78%                     |
| <b>West</b>                    |                  |         |                    | <b>67%</b>              |
| Accenture Tower                | 1,457,724        | Central | Chicago, IL        | 94%                     |
| Town Center                    | 522,043          | Central | Plano, TX          | 71%                     |
| Sterling Plaza                 | 313,609          | Central | Dallas, TX         | 97%                     |
| 60 South Sixth                 | 710,332          | Central | Minneapolis, MN    | 73%                     |
| 515 Congress                   | 267,956          | Central | Austin, TX         | 80%                     |
| Park Place Village             | 484,980          | Central | Leawood, KS        | 98%                     |
| <b>Central</b>                 |                  |         |                    | <b>86%</b>              |
| Carillon                       | 488,277          | East    | Charlotte, NC      | 85%                     |
| 201 17 <sup>th</sup> Street    | 355,870          | East    | Atlanta, GA        | 88%                     |
| 3003 Washington                | 211,054          | East    | Arlington, VA      | 91%                     |
| 3001 Washington                | 94,836           | East    | Arlington, VA      | 100%                    |
| <b>East</b>                    |                  |         |                    | <b>88%</b>              |
| <b>Total Current Portfolio</b> | <b>6,436,484</b> |         |                    | <b>82%</b>              |

# 2024 Leasing Activity

Despite the challenging environment for office buildings throughout 2024, the leasing activity within the portfolio has remained strong. While portfolio occupancy is down a little from December 31, 2023 to December 31, 2024 (83% vs. 81%), we are starting to see increased leasing activity in certain markets which has been encouraging. The table below provides a summary of leases signed during 2024 including their weighted average lease term.

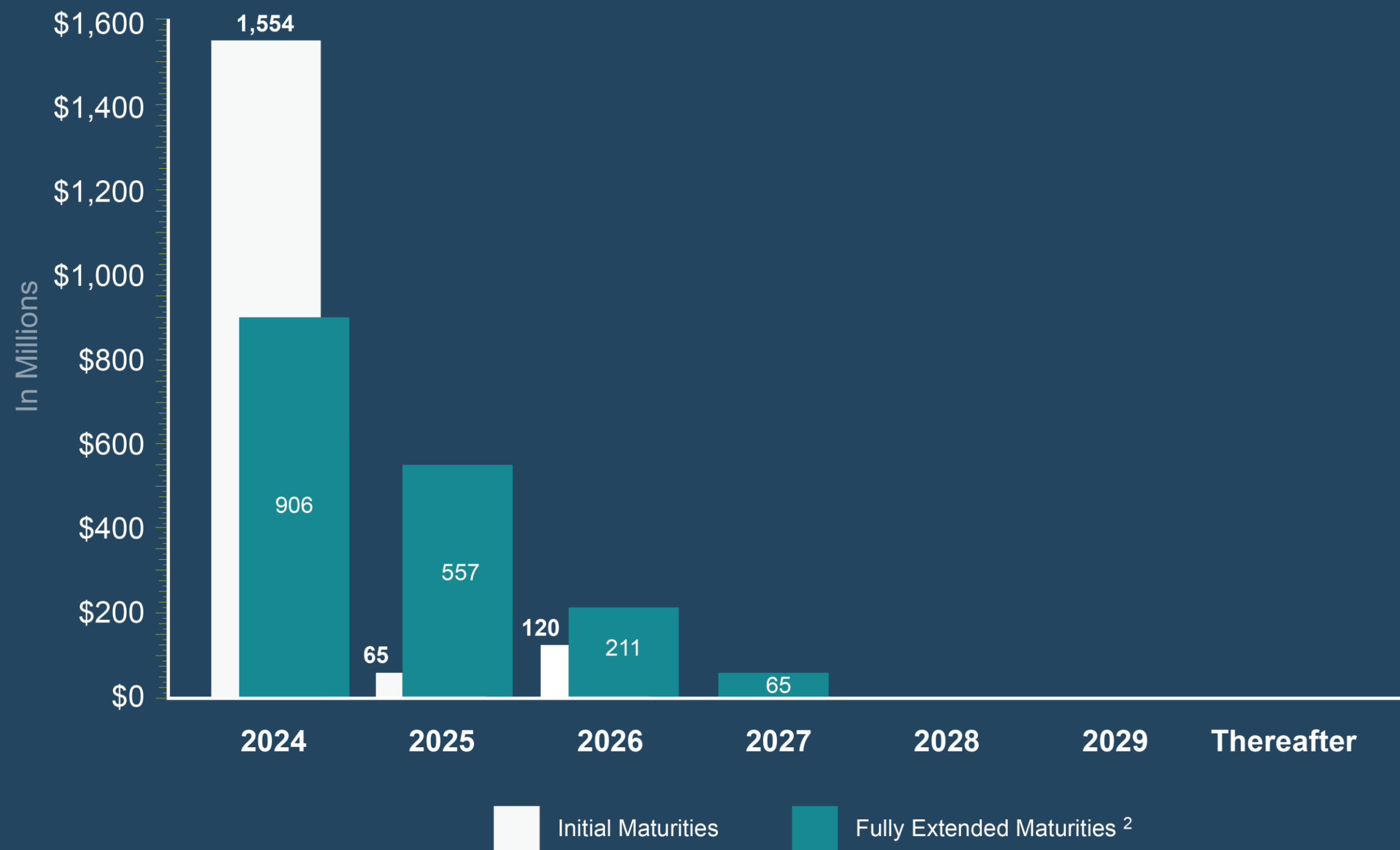
| Lease Type          | Total Gross Leasable Area | WALT <sup>1</sup> |
|---------------------|---------------------------|-------------------|
| Total New/Expansion | 349,808 SF                | 6.23              |
| Total Renewals      | 342,051 SF                | 4.70              |
| <b>Total Leases</b> | <b>691,859 SF</b>         | <b>5.47</b>       |

<sup>1</sup> Weighted Average Lease Term includes future leases that had been executed but had not yet commenced as of December 31, 2024.

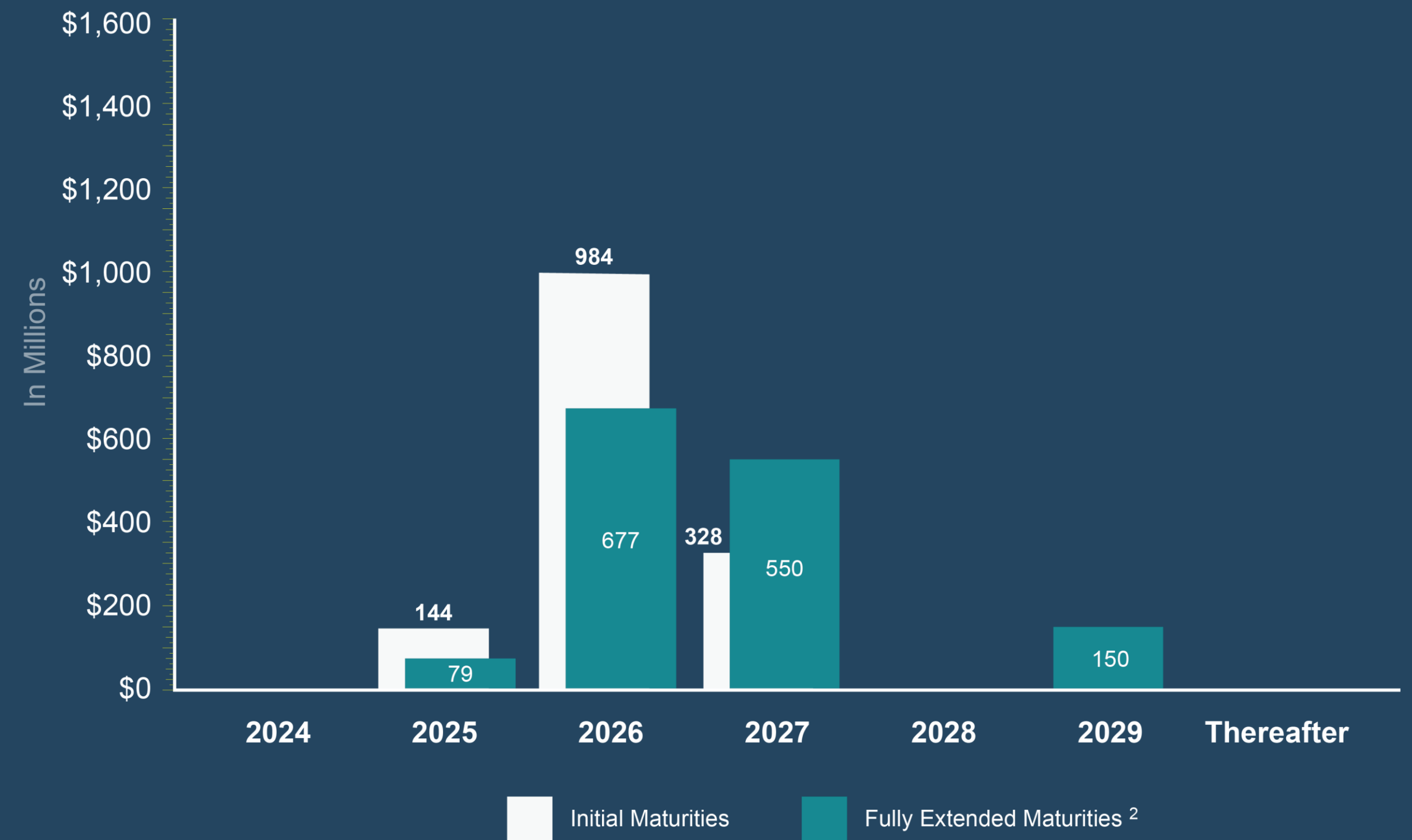


# Debt Maturities (in thousands)

Maturities as of December 31, 2023



February 6, 2025<sup>1</sup>



<sup>1</sup> Debt balance as of February 6, 2025. During the 12 months ended December 31, 2024, the Company paid down approximately \$162.6M of debt, net of draws during the period.

<sup>2</sup> Subject to the terms and conditions of the loan documents, the maturity dates may be extended as set forth above.

# Valuation Summary

| <i>(in millions)</i>                 | December 2024 <sup>1</sup><br>Estimated Value | December 2023 <sup>2</sup><br>Estimated Value |
|--------------------------------------|---|---|
| Real Estate Properties               | \$2,154.7 (96%)                               | \$2,440.7 (94.9%)                             |
| Investment in Prime US REIT Units    | \$28.4 (1%)                                   | \$26.4 (1.0%)                                 |
| Cash                                 | \$46.1(2%)                                    | \$45.1(1.8%)                                  |
| Other Assets <sup>3</sup>            | \$21.4 (1%)                                   | \$60.2 (2.3%)                                 |
| <b>Total Assets</b>                  | <b>\$2,250.6</b>                              | <b>\$2,572.4</b>                              |
| Notes Payable                        | \$1,587.0                                     | \$1,659.3                                     |
| Other Liabilities <sup>4</sup>       | \$86.5  | \$79.4  |
| <b>Total Liabilities</b>             | <b>\$1,673.5</b>                              | <b>\$1,738.7</b>                              |
| <b>Net Equity at Estimated Value</b> | <b>\$577.1</b>                                | <b>\$833.7</b>                                |

<sup>1</sup> Based on the estimated value of KBS REIT III's assets less the estimated value of KBS REIT III's liabilities, or net asset value, divided by the number of shares outstanding, all as of September 30, 2024, with the exception of adjustments to KBS REIT III's net asset value to give effect to (i) the change in the estimated value of KBS REIT III's investment in units of Prime US REIT (SGX-ST Ticker: OXMU) as of November 14, 2024, (ii) the contractual sales price, net of closing credits and disposition costs, of one property that was sold on November 15, 2024 and (iii) estimated contractual loan financing fees and costs incurred for the period from October 1, 2024 through December 20, 2024. See the December 2024 Valuation 8-K.

<sup>2</sup> Based on the estimated value of KBS REIT III's assets less the estimated value of KBS REIT III's liabilities, or net asset value, divided by the number of shares outstanding, all as of September 30, 2023, with the exception of adjustments to KBS REIT III's net asset value to give effect to (i) the change in the estimated value of KBS REIT III's investment in units of Prime US REIT (SGX-ST Ticker: OXMU) as of November 15, 2023 and (ii) the estimated sale price based on offers received for one property that was being marketed for sale. See KBS REIT III's Current Report on Form 8-K filed with the SEC on December 13, 2023.

<sup>3</sup> Includes rents and other receivables, deposits and prepaid expenses as applicable.

<sup>4</sup> Includes accounts payable, accrued liabilities, due to affiliates and distributions payable, as applicable.



# Valuation Change

## Summary

On December 12, 2024, KBS REIT III's Board of Directors approved an estimated value per share of \$3.89<sup>1</sup>. The following is a summary of the estimated value per share changes within each asset and liability group.

|  |               |
|--|---------------|
| <b>December 2023 Estimated Value Per Share</b>   | <b>\$5.60</b> |
| Real Estate                                      | (1.12)        |
| Capital Expenditures on Real Estate              | (0.36)        |
| Investment in Prime US REIT Units                | 0.01          |
| <b>Total Changes Related to Investments</b>      | <b>(1.47)</b> |
| Modified Operating Cash Flows <sup>2</sup>       | 0.12          |
| Interest Rate Swap                               | (0.26)        |
| Loan Financing Fees <sup>3</sup>                 | (0.11)        |
| Other Changes, Net                               | 0.01          |
| <b>Total Change in Estimated Value Per Share</b> | <b>(1.71)</b> |
| <b>December 2024 Estimated Value Per Share</b>   | <b>\$3.89</b> |

<sup>1</sup> Based on the estimated value of KBS REIT III's assets less the estimated value of KBS REIT III's liabilities, or net asset value, divided by the number of shares outstanding, all as of September 30, 2024, with the exception of adjustments to KBS REIT III's net asset value to give effect to (i) the change in the estimated value of KBS REIT III's investment in units of Prime US REIT (SGX-ST Ticker: OXMU) as of November 14, 2024, (ii) the contractual sales price, net of closing credits and disposition costs, of one property that was sold on November 15, 2024 and (iii) estimated contractual loan financing fees and costs incurred for the period from October 1, 2024 through December 20, 2024. See the December 2024 Valuation 8-K. The estimated value of the 14 appraised properties and the property that was sold on November 15, 2024, was \$2.2 billion.

<sup>2</sup> Modified operating cash flows reflect modified funds from operations ("MFFO") adjusted to add back the amortization of deferred financing costs. KBS REIT III computes MFFO in accordance with the definition included in the practice guideline issued by the IPA in November 2010.

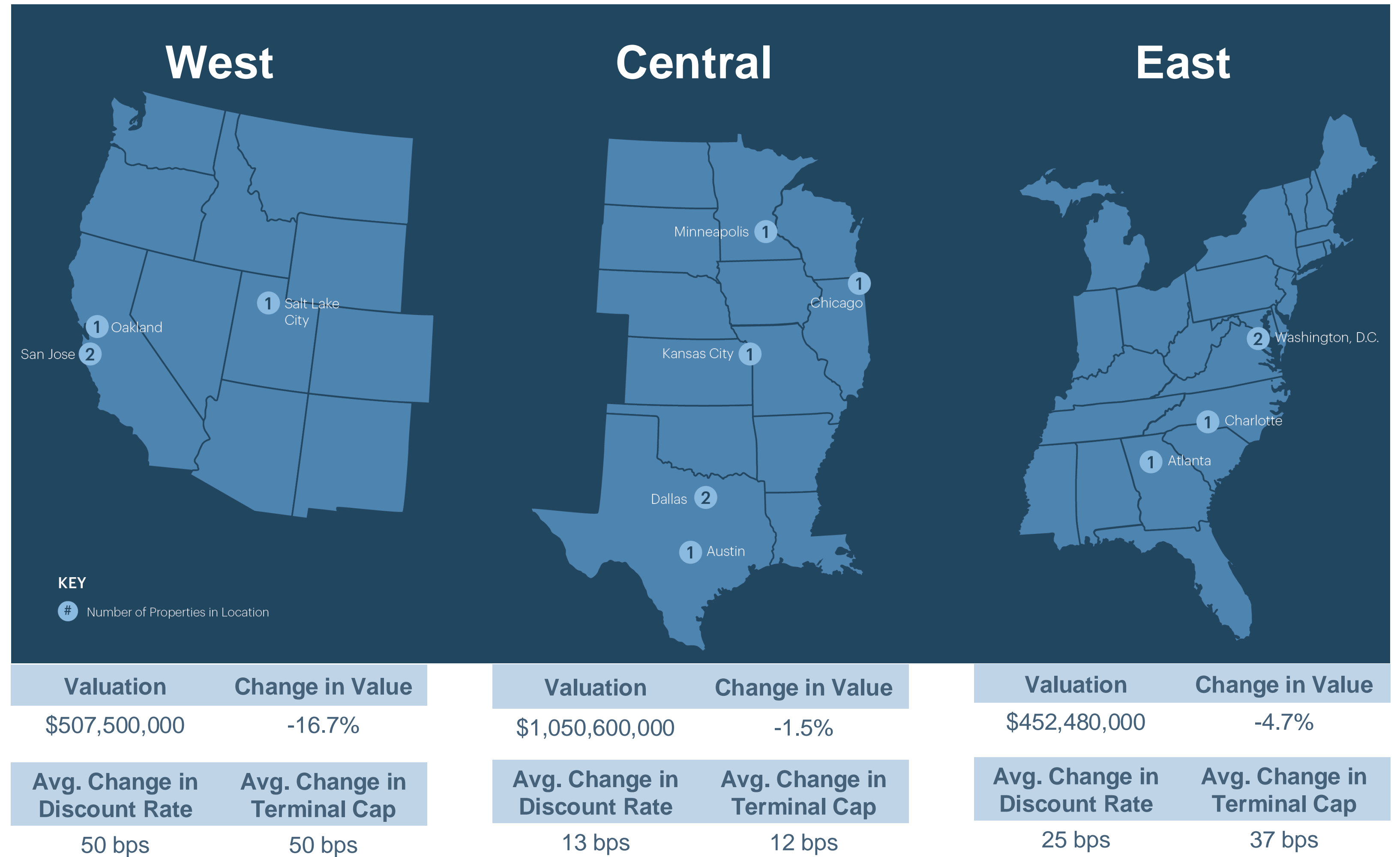
<sup>3</sup> Includes \$16.5 million of estimated contractual loan financing fees and costs incurred by KBS REIT III for the period from October 1, 2023 to December 20, 2024, including \$7.5 million of estimated contractual loan financing fees and costs incurred for the period from October 1, 2024 through December 20, 2024 related to the refinancing of the Accenture Tower Revolving Loan, the Amended and Restated Portfolio Loan Facility, the 3001 & 3003 Washington Mortgage Loan and the Credit Facility.

# Valuation Change Summary

(December 2024 vs. December 2023)<sup>1</sup>

## Overview

The challenging interest rate environment coupled with uncertainty in the market leads to more conservative underwriting assumptions by investors, lenders, appraisers, and the like. This impact was seen across the board during the current NAV process—on average, discount rates and terminal capitalization rates utilized by Kroll<sup>[2]</sup> were 25 and 27 basis points higher, respectively, than those utilized in the previous valuation. The change in discount rates and terminal capitalization rates were the main drivers of the change in real estate values.



<sup>1</sup> For the December 2024 valuation, discount rates and terminal capitalization rates are based on the estimated value of the 14 Appraised Properties.

<sup>2</sup> The changes in valuation discount and terminal capitalization rates are based on the 14 Appraised Properties.

# Stockholder Valuation Information

KBS REIT III provides its estimated value per share to assist broker dealers that participated in KBS REIT III's now-terminated initial public offering in meeting their customer account statement reporting obligations.

The December 2024 estimated value per share was performed in accordance with the provisions of and also to comply with the IPA Valuation Guidelines. As with any valuation methodology, the methodologies used are based upon a number of estimates and assumptions that may not be accurate or complete. Different parties with different assumptions and estimates could derive a different estimated value per share of KBS REIT III's common stock, and this difference could be significant. The estimated value per share is not audited and does not represent the fair value of KBS REIT III's assets less the fair value of KBS REIT III's liabilities according to GAAP. KBS REIT III can give no assurance that:

- a stockholder would be able to resell his or her shares at KBS REIT III's estimated value per share;
- a stockholder would ultimately realize distributions per share equal to KBS REIT III's estimated value per share upon liquidation of KBS REIT III's assets and settlement of its liabilities or a sale of KBS REIT III;
- KBS REIT III's shares of common stock would trade at the estimated value per share on a national securities exchange;
- another independent third-party appraiser or third-party valuation firm would agree with KBS REIT III's estimated value per share; or
- the methodology used to determine KBS REIT III's estimated value per share would be acceptable to FINRA or for compliance with ERISA reporting requirements.

Valuations for U.S. office properties continue to fluctuate due to weakness in the current real estate capital markets and the lack of transaction volume for U.S. office properties, increasing the uncertainty of valuations in the current market environment. The valuation of KBS REIT III's investment in Prime US REIT is also subject to increased uncertainty. Due to the disruptions in the financial markets, the trading price of the common units of Prime US REIT has experienced substantial volatility and has been significantly impacted by the market sentiment for stock with significant investment in U.S. office buildings. KBS REIT III's estimated value per share does not reflect a discount for the fact that KBS REIT III is externally managed, nor does it reflect a real estate portfolio premium/discount versus the sum of the individual property values. KBS REIT III's estimated value per share does not take into account estimated disposition costs and fees for real estate properties that are not under contract to sell, debt prepayment penalties that could apply upon the prepayment of certain of KBS REIT III's debt obligations, the impact of restrictions on the assumption of debt or swap breakage fees that may be incurred upon the termination of certain of KBS REIT III's swaps prior to expiration. KBS REIT III has generally incurred disposition costs and fees related to the sale of each real estate property since inception of 0.8% to 2.9% of the gross sales price less concessions and credits, with the weighted average being approximately 1.5%. The estimated value per share does not take into consideration any financing and refinancing costs subsequent to December 20, 2024. KBS REIT III currently expects to utilize an independent valuation firm to update its estimated value per share no later than December 2025.

# Stockholder Valuation Information

*(continued)*

## Potential Going Concern Risk Related to Estimated Value Per Share

- As discussed, KBS REIT III has refinanced or extended over \$1.3 billion of maturing loans during the 12 months ending February 6, 2025.
- As of February 28, 2025, KBS REIT III has approximately \$390 million of debt maturing in the next 12 months and also has approximately \$80 million of required loan paydowns.
- Only one of the loans maturing in the next 12 months, with a \$65 million current outstanding balance, has additional extension options available and these options are subject to certain terms and conditions contained in the loan documents, some of which are not required as part of the current loan compliance tests.
- KBS REIT III will likely seek to refinance or restructure its near-term maturing debt, and in order to do so, may need to make further paydowns on the maturing loan amounts.
- In order to fund paydowns of its debt, KBS REIT III may need to evaluate selling equity securities and/or certain assets into a challenged real estate market in an effort to create liquidity for such paydowns and to fund potential capital needs of the portfolio. Additionally, KBS REIT III is required to sell assets in 2025, 2026 and 2027 as a result of its current loan agreements. Sales of assets for either purpose in the current real estate market may result in a lower sale price than KBS REIT III would otherwise obtain.
- As a result of KBS REIT III's upcoming loan maturities, the challenging commercial real estate lending environment, the current interest rate environment, leasing challenges in certain markets where KBS REIT III owns properties and the lack of transaction volume in the U.S. office market as well as general market instability, there may continue to be substantial doubt about KBS REIT III's ability to continue as a going concern, though such risk has been reduced substantially as a result of the refinancing activity completed in the last 12 months.
- KBS REIT III is completing its going concern analysis in connection with preparing its Annual Report on Form 10-K. The Annual Report on Form 10-K will be filed with the SEC in March 2025 and will be available on the SEC's website at [www.sec.gov](http://www.sec.gov).
- These risks are not priced into the December 2024 estimated value per share.

# Share Redemption Plan and Distributions

Prior to the most recent real estate downturn and credit crunch that occurred subsequent to the COVID-19 pandemic and the aggressive interest rate hiking cycle by the federal reserve, we consistently focused on providing liquidity to shareholders. From the inception of KBS REIT III beginning in mid 2011, we consistently paid monthly distributions to shareholders at an annualized rate of 6.5% of the initial investor basis less any special distribution through the December 2022 record date and then at a slightly reduced annualized rate of 5.0% beginning with the January 2023 record date through the June 2023 record date, at which time we ceased monthly distributions to preserve liquidity given the state of the market. The total inception-to-date distributions per share to the first and last investors are \$8.40 and \$5.74, respectively<sup>1</sup>.

Additionally, with regards to our share redemption program, we consistently provided liquidity through August 2022 (subject to the limitations on redemptions under our share redemption plan and suspensions of ordinary redemptions from December 2019 through the June 2021, as we planned for a tender offer). Since inception, we have redeemed \$788.7 million of redemption requests or a total of approximately 74,646,957 shares. This includes a tender offer in Q2 2021 in which we offered to redeem \$350.0 million of shares and only received redemption requests of approximately \$272.7 million when finalized in early Q3 2021.

As a result of the most recent real estate market downturn and credit crunch, and in order to preserve liquidity needed within the REIT, we ceased declaring distributions in June 2023. Due to certain restrictions and covenants included in our loan agreements as a result of refinancing certain of our debt facilities, we do not expect to pay any dividends or distributions or redeem any shares of common stock until certain loans are repaid or refinanced. One of the loans with these restrictions has a current maturity of January 2027 but may be extended subject to the terms and conditions of the loan agreement. As a result, we are unable to predict when we will be in a position to pay distributions to or provide liquidity to stockholders.

<sup>1</sup> Total inception-to-date distributions assumes all distributions received in cash other than special dividend shares and no share redemptions. For first investors, reflects all distributions per share paid since inception for a hypothetical investor who invested on escrow break (March 24, 2011). For last investors, reflects all distributions per share since investment for a hypothetical investor who invested on July 28, 2015.

# Future Strategy

In the current market environment with real estate valuations at a significant discount to previous market values, a strategic transaction involving a portfolio that is nearly 100% office is very difficult if not impossible to achieve. Additionally, with debt and equity capital for office buildings on the sidelines over the last couple of years, selling office buildings of significant size is very difficult due to the lack of available financing.

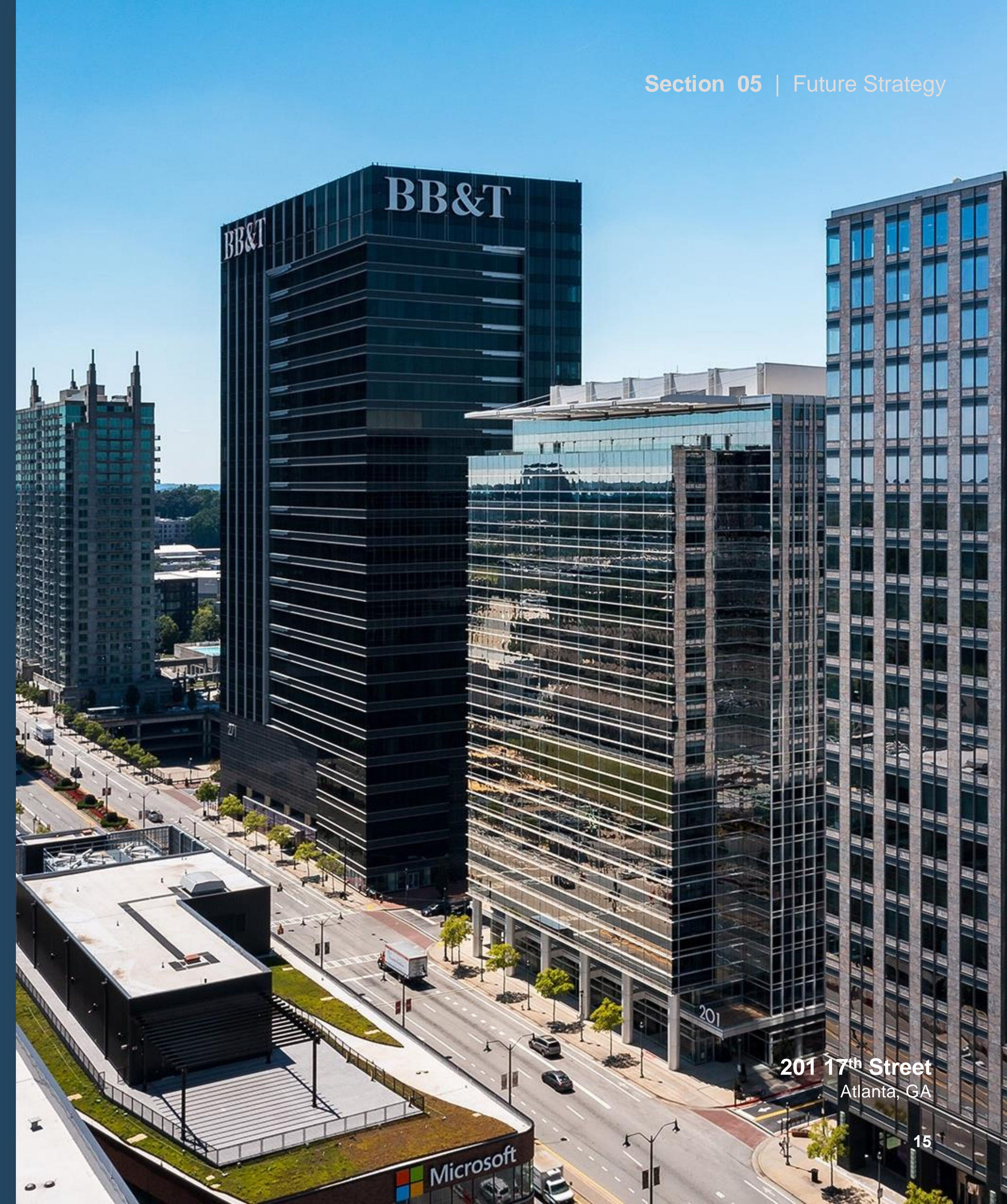
KBS REIT III's conflicts committee and our board of directors believe the best course of action is to carefully manage the portfolio through the current challenging market environment in order to be ready to complete a liquidation or strategic transaction once the markets have improved. Even for U.S. office properties, it does appear that the market is stabilizing, as additional debt and equity capital is beginning to be deployed into certain markets, especially for smaller well-located office properties. The conflicts committee and board of directors are focused on getting to a place in the real estate cycle where the debt and equity markets would support a larger pool of institutional buyers who would be able to purchase larger assets similar to those the REIT owns.

We remain focused on returning funds to shareholders and providing liquidity as soon as market conditions are receptive. In order to make distributions to shareholders, we will need to pay down certain loan facilities as required by our loan agreements. We will continue to evaluate targeted sales of real estate assets in order to manage loan maturities, make required paydowns and eventually create liquidity for all shareholders.



# KBS REIT III 2025 Goals & Objectives

- ✓ Finalize Carillon loan modification and manage required loan paydowns and other loan requirements throughout the portfolio
- ✓ Efficiently manage the current real estate portfolio throughout the uncertain economic environment
- ✓ Deploy capital for value enhancing lease opportunities
- ✓ Continue to execute strategic asset sales as markets stabilize and debt/equity capital return to the market



For questions, please contact  
Investor/Advisor Relations toll free at:

**(866) 527-4264**

