

Keppel-KBS US Reit to buy business campus in Seattle for US\$169.4m

By Rachel Mui, The Business Times MON, SEP 24, 2018

KEPPEL-KBS US Reit is set to deepen its presence in Seattle with its maiden acquisition of a business campus for some US\$169.4 million.

The Reit's (real estate investment trust) manager on Monday said the trust has entered into an agreement with KBS SOR Westpark Portfolio, LLC to acquire the Westpark Portfolio, which comprises 21 freehold buildings in the Seattle-Tacoma-Bellevue Metropolitan Statistical Area (MSA).

Located in Redmond, the portfolio is Keppel-KBS US Reit's third asset in the Seattle MSA. The other two are the Plaza Buildings and the Bellevue Technology Centre.

The addition of this portfolio is expected to increase Keppel-KBS US Reit's aggregate valuation by 20.8 per cent to US\$985.5 million, as well as its net lettable area by 24.2 per cent to more than four million square feet, the Reit manager said.

Said CEO and CIO of the manager, David Snyder: "The acquisition of the Westpark Portfolio will strengthen Keppel-KBS US Reit's foothold in the high growth Seattle MSA. This will allow the Reit to capitalise on strong leasing demand from the technology and professional services sectors in a supply-constrained market, with limited sites available for competitive new development.

"At the same time, Seattle, being one of the strongest office markets in the United States, will allow the Reit to benefit from steady rent growth of approximately 4 per cent by 2020. The acquisition is expected to be yield accretive, and is in line with our strategy to acquire distinctive assets in first choice sub-markets and create long-term value for our unitholders."

The deal will be paid for partly with equity fundraising, debt financing and internal cash resources.

Keppel and KBS have also provided irrevocable undertakings to fully participate in any rights issue or preferential offering undertaken to finance the acquisition.

That statement of support came as the Reit manager sought to address reports that KBS could be listing a Reit in Singapore, and noted that there are two distinct teams operating within KBS.

The manager added that it is considering reorganising the teams that run the various Reits. Nonetheless, even if the reorganisation occurs, it is expected that there will be no change to the current board of directors, or senior management of the manager.

"While the manager is not in a position to confirm the accuracy of the articles, the procedures to deal with potential conflicts of interests will continue to apply in relation to any such proposed listing," the Reit manager said.

The acquisition is subject to the approval of unitholders at an extraordinary general meeting to be convened.

Units in Keppel-KBS US Reit last traded at US\$0.79 apiece on Friday.

