



KBS

Real Estate
Investment
Trust III

Portfolio Update

Second Quarter, 2020

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's (the "Company" or "KBS REIT III") 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 June 30, 2020 (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 12, 2019.

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.

You should interpret many of the risks identified in this presentation, in our Annual Report and in our Quarterly Report as being heightened as a result of the ongoing and numerous adverse impacts of the COVID-19 pandemic. The COVID-19 pandemic, together with the resulting measures imposed to help control the spread of the virus, including quarantines, "shelter in place" and "stay at home" orders, travel restrictions, restrictions on businesses and school closures, 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 investments in Prime US REIT and a real estate loan receivable 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. If tenants default on their rent and vacate, the ability to re-lease this space is likely to be more difficult if the economic slowdown continues and any long term impact of this situation, even after an economic rebound, remains unclear. Further, significant reductions in rental revenue in the future related to the impact of the COVID-19 pandemic may limit our ability to draw on our revolving credit facilities or exercise our extension options due to covenants described in our loan agreements.

Important Disclosures (cont.)

Forward-Looking Statements

The Company may fund distributions from any source including, without limitation, from offering proceeds or borrowings. Distributions paid through June 30, 2020 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. 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 NAV per share. With respect to the estimated NAV per share, the appraisal methodology used for the appraised properties assumed 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 assumed a discount for the holding period risk attributable to transfer restrictions and blockage due to the quantity of units held by the Company and such discount is driven by trading volume in Prime US REIT's units in the public market and expected future volatility.

Though the appraisals of the appraised properties and the valuation of the Company's investment in units of Prime US REIT, with respect to Duff & Phelps, and the valuation estimates used in calculating the estimated value per share, with respect to Duff & Phelps, the Company's advisor and the Company, were the respective party's best estimates as of September 30, 2019, December 3, 2019 or December 4, 2019, as applicable, the Company can give no assurance in this regard. Even small changes to these assumptions could result in significant differences in the appraised values of the appraised properties, the valuation of the Company's investment in units of Prime US REIT and the estimated value per share. Further, the Company can make no assurances with respect to the future value appreciation of its properties and ultimate returns to investors. The estimated NAV per share does not reflect the impact of the COVID-19 pandemic on portfolio values.

Stockholders may have to hold their shares for an indefinite period of time. The Company can give no assurance that it will be able to provide additional liquidity to stockholders. The Company's conflicts committee, which is composed of all of its independent directors, has approved the pursuit of the Company's conversion to a perpetual-life NAV REIT. However, the Company's conversion to an NAV REIT remains subject to further approval of the conflicts committee and board of directors, and regulatory, market or business considerations, including the impact of the COVID-19 pandemic on the markets and the Company's operations, may influence the Company to delay the implementation of the NAV REIT conversion or abandon the Company's 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.

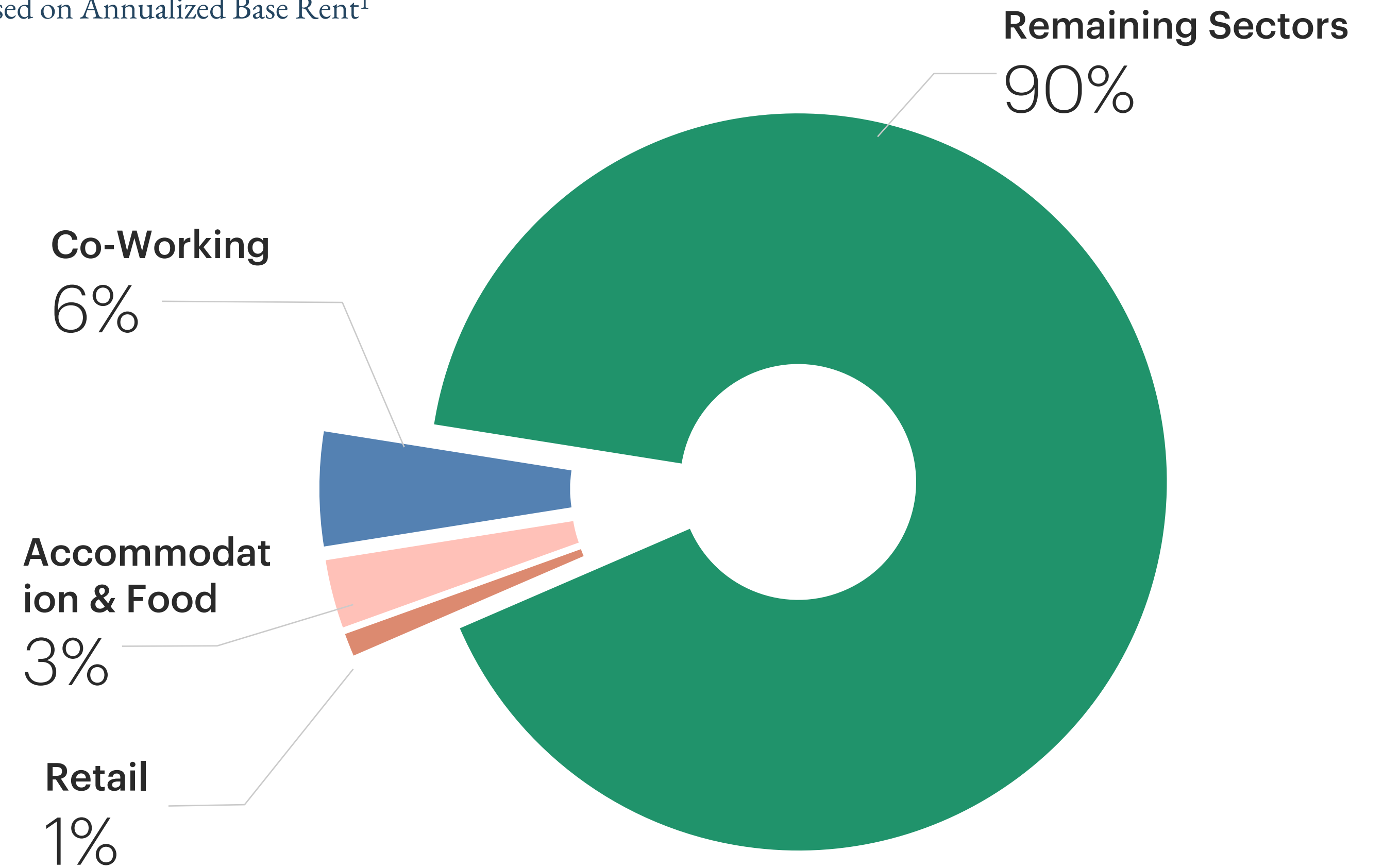
The statements herein also depend on factors such as: future economic, competitive and market conditions; the Company's ability to maintain and/or improve occupancy levels and rental rates at its real estate properties; and other risks identified in Part I, Item IA of the Company's Annual Report and in Part II, Item 1A of the Company's Quarterly Report.

COVID-19 Impact

Certain industries are experiencing greater economic disruption due to COVID-19 compared to others. These industries include the Co-working Space, Accommodations & Food and Retail. However, the Company expects nominal impact from these industries due to the following:

- The majority of the sub-tenants in our Co-working space consist of enterprise type tenants, of which Google makes up nearly 50% of the total annualized base rent.
- The portfolio has minimal exposure to retail and accommodation & food.

Co-Working, Accommodations & Food and Retail Tenant Exposure
Based on Annualized Base Rent¹



¹ Annualized base rent represents annualized contractual base rental income as of June 30, 2020, adjusted to straight-line any contractual tenant concessions (including free rent), rent increases and rent decreases from the lease's inception through the balance of the lease term. Percent of annualized base rent is based on total annualized base rent of the current portfolio.

COVID-19 Impact (cont.)

Distributions

While there is some near term impact to revenues, our exposure to the industries that are currently most impacted by COVID-19 is limited. Based on rent collections through July 2020, the Company’s Board of Directors has maintained the same distribution rate from April through September compared to the distribution rate for the first three months of 2020. The ability to maintain a consistent dividend from April to September (during the COVID-19 crisis) illustrates the strength and diversity of the tenant base within the real estate portfolio.

Distribution History:

Special Dividend

December 2019	\$0.80/share
---------------	---------------------

Distributions

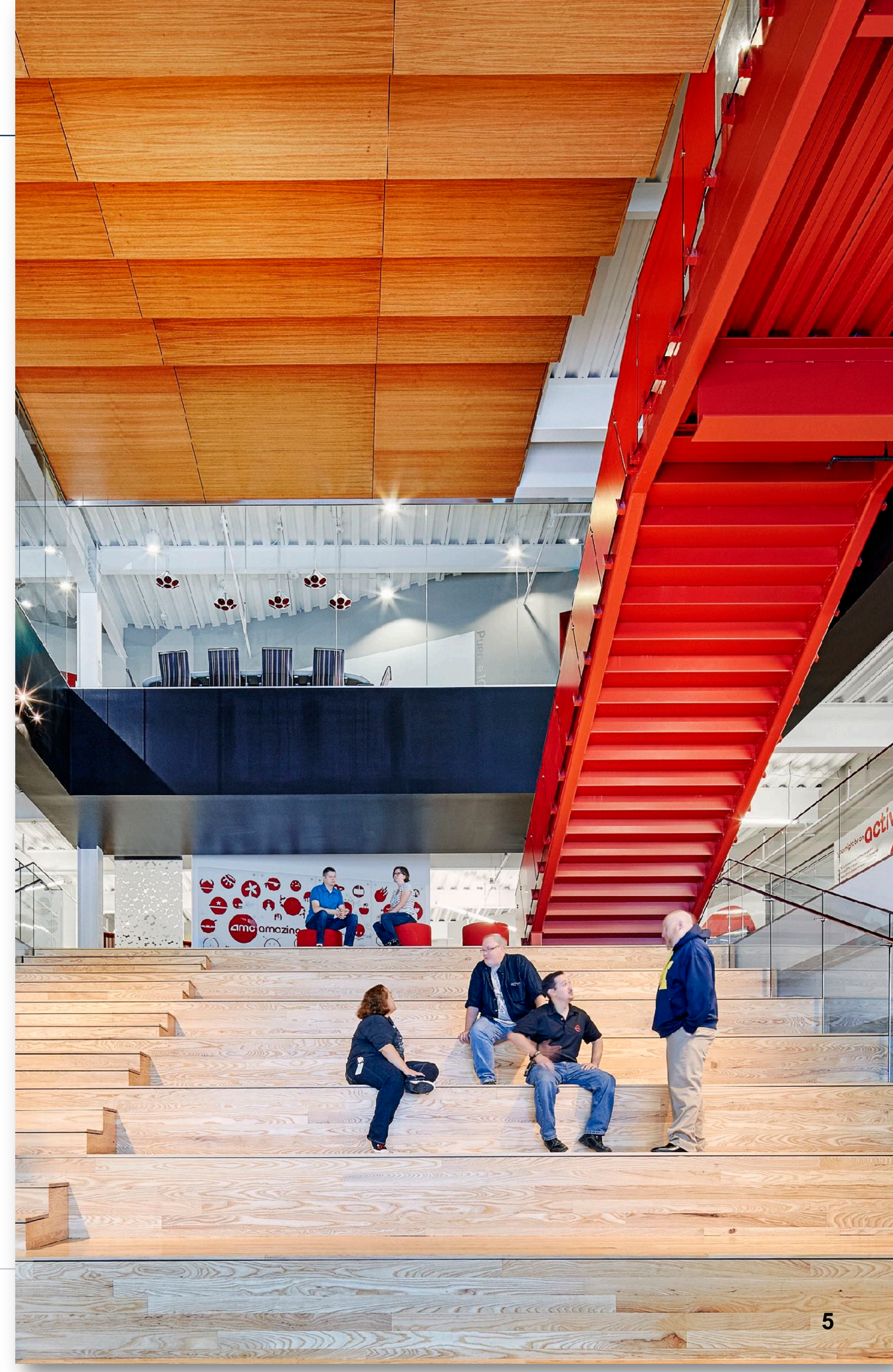
January 1, 2019 – December 31, 2019	\$0.65/share*
--	----------------------

January 2020 – September 2020 ^{1,2}	\$0.60/share*
---	----------------------

*On an annualized basis

¹ Decrease in annualized distribution rate per share is due to a special dividend of \$0.80/share that was paid to stockholders in December 2019 (the “Special Dividend”). The Special Dividend was paid in the form of cash and stock and the decrease in distribution per share to a stockholder would be fully or partially offset by the increase in total shares outstanding as a result of the Special Dividend depending on whether the stockholder elected all stock or received part of the distribution in cash. If an investor elected to receive 100% of the Special Dividend in stock, the total distribution received per month during January through September of 2020 would be comparable to the monthly distribution received prior to 2020.

² Distributions for August and September 2020 have been declared but not yet paid.



Fund and Portfolio Overview¹

As of June 30, 2020, unless otherwise noted.

¹ Current portfolio of properties as of June 30, 2020, value based solely on the appraised values as of September 30, 2019 as reflected in the December 2019 estimated share value and does not reflect the impact of the COVID-19 pandemic on portfolio values. The appraised values do not consider estimated disposition costs and fees.

² The estimated value of KBS REIT III's investment in Prime US REIT units was based on the closing price of the units on the SGX of \$0.78 per unit as of June 30, 2020 and does not take into account potential blockage due to the quantity of units KBS REIT III owns.

³ The carrying value of the loan receivable is based on amortized cost, net of allowances for credit losses (if any) as of June 30, 2020.

⁴ Includes future leases that had been executed but had not yet commenced as June 30, 2020.

⁵ Calculated as total debt as of June 30, 2020, divided by the December 2019 estimated value of the portfolio of properties of \$3.2 billion, current value of investment in PRIME US REIT as of June 30, 2020 and carrying value of loan receivable as of June 30, 2020.

⁶ On an annualized basis. During Q1 and Q2 2020, KBS REIT III declared monthly distributions at a rate of \$0.04983333/share

December 2019 Estimated Value of Current Portfolio of Properties¹

\$3.2 billion

June 30, 2020 Value of Investment in units of PRIME US REIT²

\$225.9 million

June 30, 2020 Carrying Value of Loan Receivable³

\$147.6 million

Rentable Square Feet

7.8 million

Total Leased Occupancy⁴

90.8%

Total Leverage (Loan-to-Value)⁵

42.3%

Annualized Monthly Distribution Rate – Q1 & Q2 2020⁶

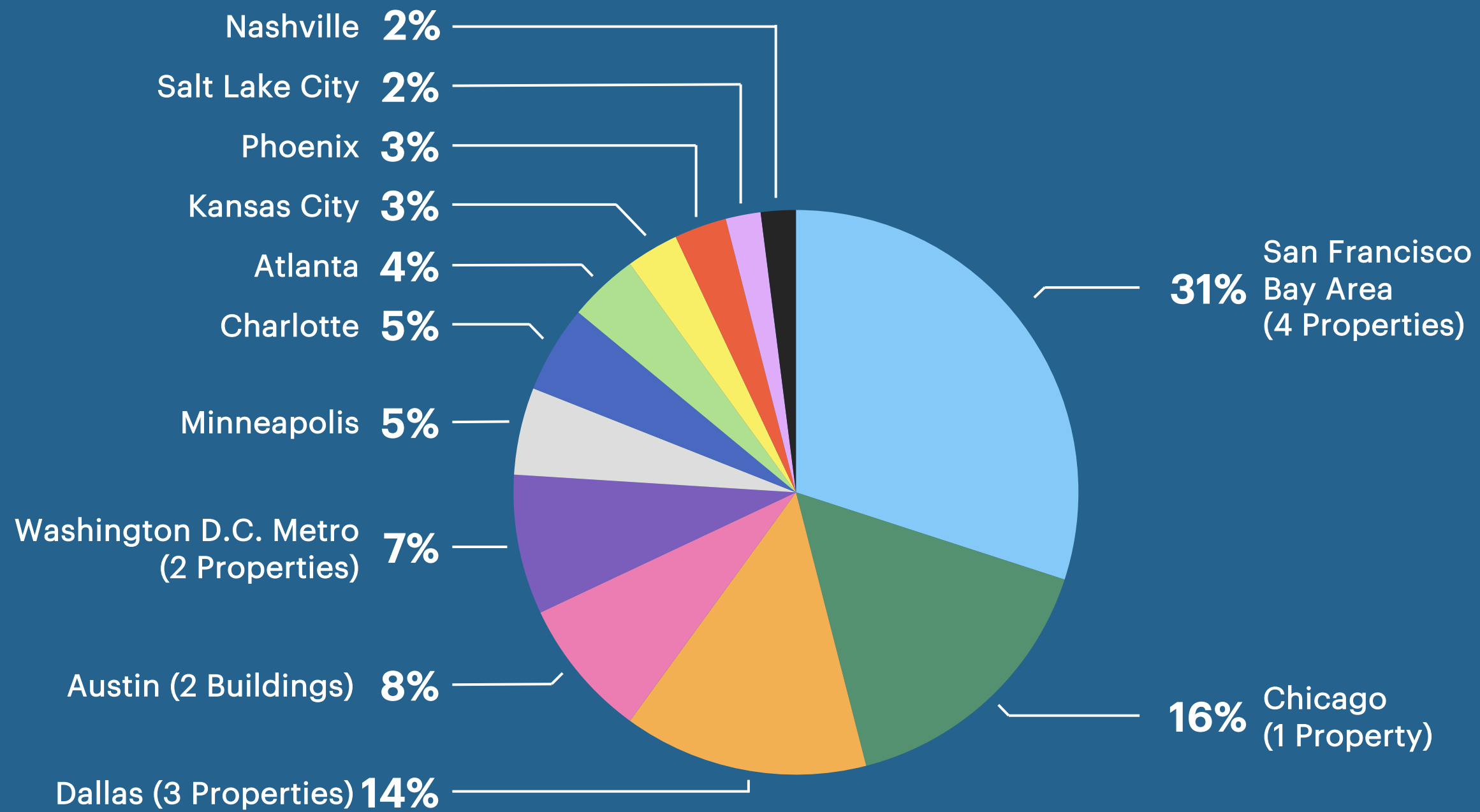
\$0.60/share ordinary distributions

Statistics for the Current Portfolio

Market Diversification ¹

Invested in Target Markets:

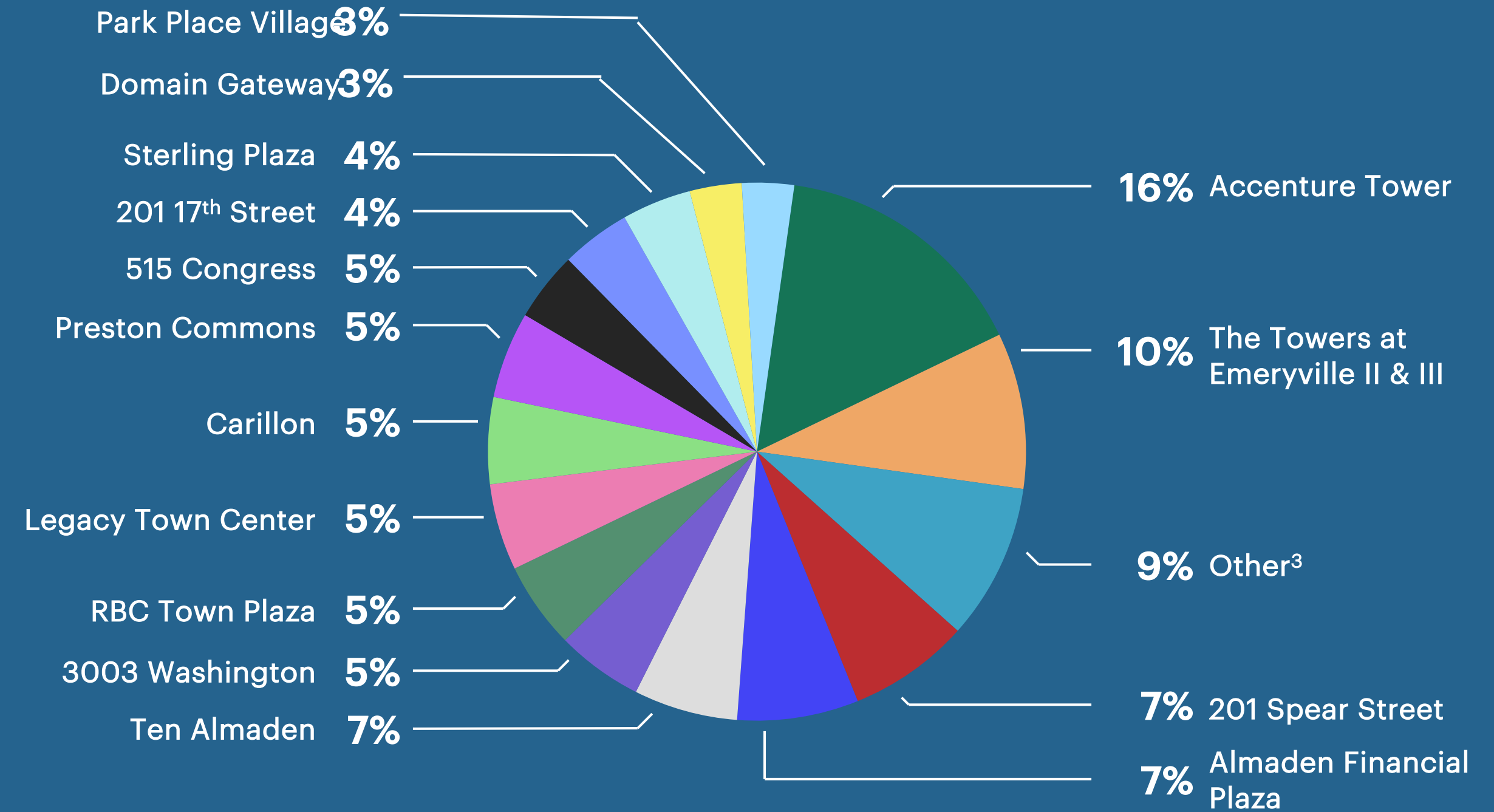
- 50%** of value² in CBRE's Top 10 Tech Markets
- 90%** of value² in CBRE's Top 25 Tech Markets



Asset Diversification ¹

Asset Diversification:

- Largest asset accounts for just **16%**



¹ Based solely on the appraised values as of September 30, 2019 as reflected in the December 2019 estimated share value for the current portfolio of properties. The appraised values do not consider estimated disposition costs and fees or reflect the impact of the COVID-19 pandemic on portfolio values.

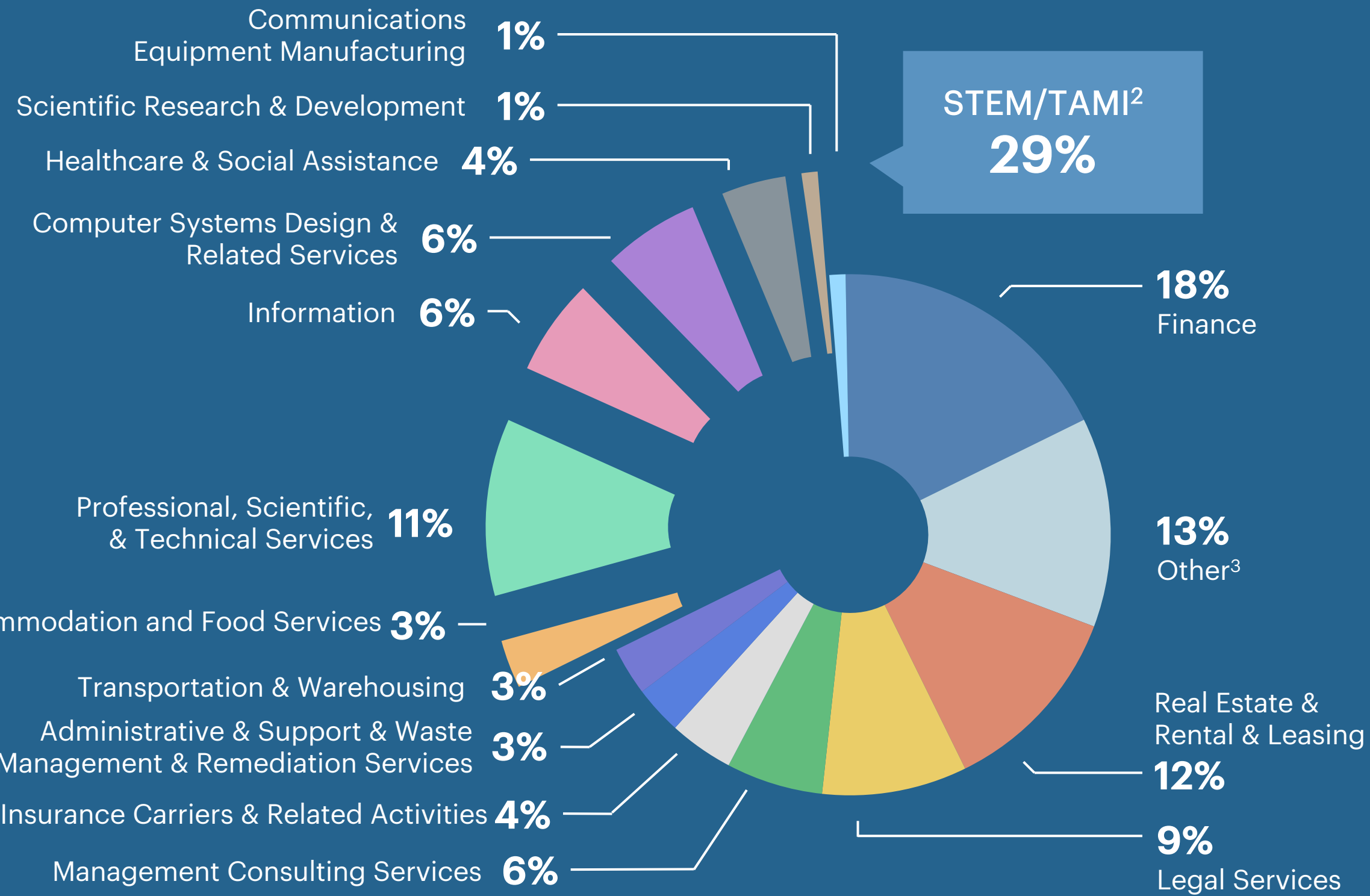
² Per CBRE's 2020 Tech Talent Report

³ "Other" is comprised of various properties that individually represent less than 3% of total value.

Statistics for the Current Portfolio

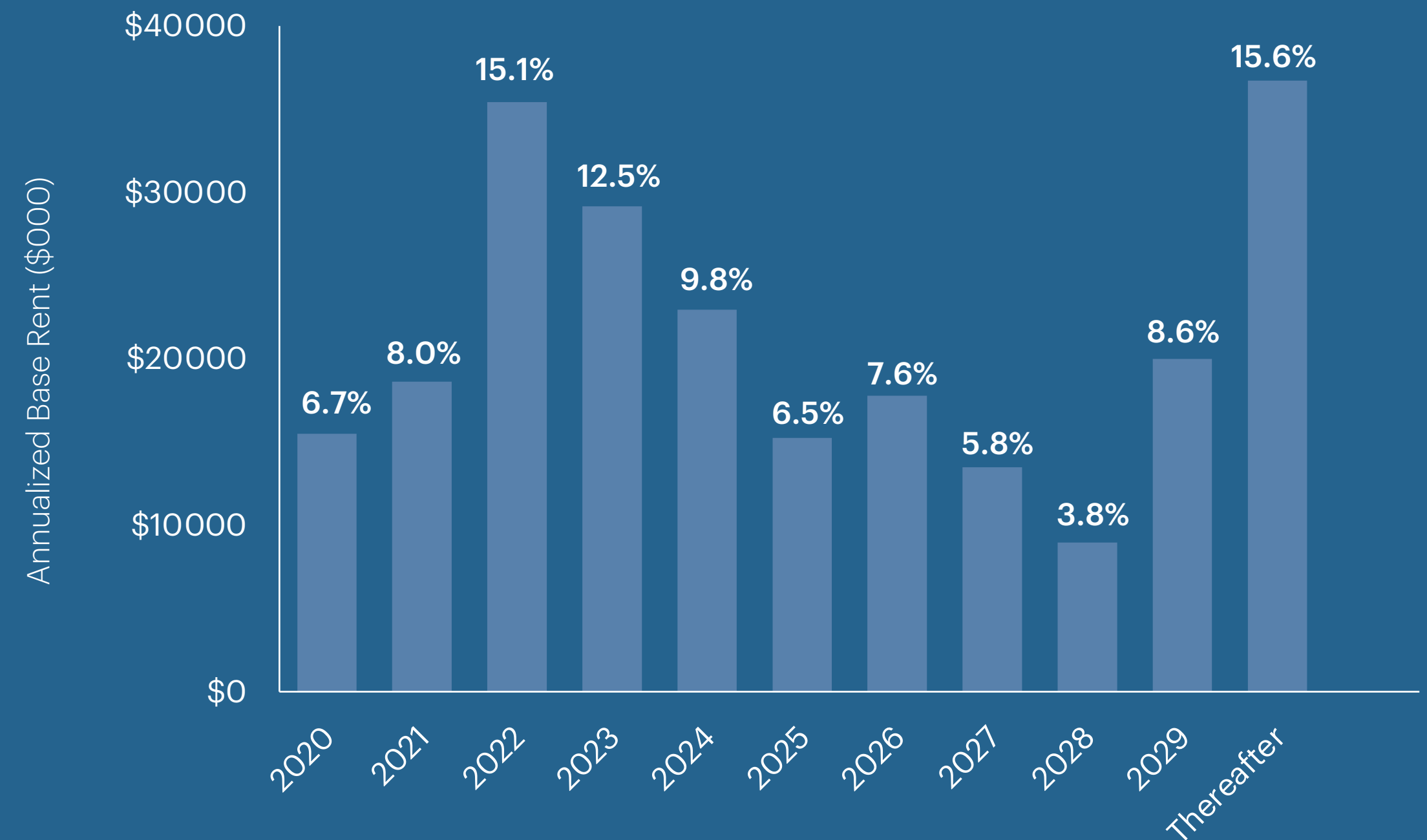
Over 640 Tenants with Staggered Lease Expirations and Industry Diversification

Tenant Industries ¹



- Industry diversification provides downside protection from any single industry. No one sector represents over 18% of the total portfolio.
- STEM/TAMI², the fastest growing sector, represents 29% of the total portfolio.

Lease Expirations ¹



¹ Annualized base rent represents annualized contractual base rental income as of June 30, 2020, adjusted to straight-line any contractual tenant concessions (including free rent), rent increases and rent decreases from the lease's inception through the balance of the lease term. Percent of annualized base rent is based on total annualized base rent of the current portfolio.

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

³ "Other" is comprised of various industries that individually represent less than 3.0% of total annualized base rent, excluding STEM/TAMI industries.

NAV Conversion

The Company's **Board of Directors finalized a review of strategic alternatives** in an effort to further enhance shareholder liquidity and maximize shareholder value. Based on their analysis, the board has determined to pursue a conversion into an NAV REIT. On May 7, 2020, at the annual shareholders' meeting, the Company's shareholders approved two proposals related to the Company's pursuit to convert to an NAV REIT.

Conversion to an NAV REIT fulfills certain key objectives of the Company including the current portfolio size and performance, shareholder desire for liquidity as well as their desire to stay invested and current market environments.

NAV REITs at a Glance

- ✓ Perpetual Life Investment Vehicle
- ✓ Potential enhanced liquidity, up to 20% of equity per year
- ✓ Frequent valuations
- ✓ Lower up-front fees



REIT III Goals & Objectives

- ✓ Distribute operating cash flows to stockholders
- ✓ Efficiently manage the real estate portfolio throughout the COVID-19 crisis in order to maximize the long-term portfolio value to stockholders
- ✓ Carefully evaluate all tenant rent deferral requests to make sure we are providing rent relief where it is necessary, while being repaid on such deferrals either over time or through a longer term lease extension
- ✓ Constantly review the liquidity needs of the portfolio in order to retain capital to enhance asset values while continuing to monitor and address the need for ongoing stockholder liquidity
- ✓ Continue to monitor the properties in the portfolio for any beneficial sale opportunities in order to maximize value
- ✓ Pursue NAV REIT Conversion

