KBS Real Estate Investment Trust III

Portfolio Update

July 2023

60 South Sixth
Minneapolis, MN

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", "KBS REIT III", "we" or "our") Annual Report on Form 10-K for the year ended December 31, 2022 (the "Annual Report"), and in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2023 (the "Quarterly Report"), including the "Risk Factors" contained therein.

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 and in the Company's Annual Report and Quarterly Reports as being heightened as a result of the continued disruptions in the financial markets. The ongoing challenges affecting the U.S. commercial real estate industry, especially as it pertains to commercial office buildings, continues to be one of the most significant risks and uncertainties the Company faces. The combination of the continued economic slowdown, rapidly rising interest rates and significant inflation (or the perception that any of these events may continue) as well as a lack of lending activity in the debt markets have contributed to considerable weakness in the commercial real estate markets. There can be no assurance as to when the markets will stabilize.

Upcoming and recent tenant lease expirations and leasing challenges in certain markets amidst the aforementioned headwinds coupled with slower than expected return-to-office, most notably in the San Francisco Bay Area where the Company owns several assets and in Minneapolis, have had direct and material impacts on the Company's ability to access certain credit facilities and on the Company's ongoing cash flow. Additionally, due to disruptions in the financial markets, it is becoming increasingly difficult to refinance maturing debt obligations as lenders are hesitant to make new loans in the current market environment with so many uncertainties surrounding asset valuations, especially in the office real estate market. The Company has a significant number of loan maturities in the next 12 months (including the two largest loans in the portfolio), though all but one of them has additional extension options. These extensions are subject to certain terms and conditions contained in the loan documents some of which are more stringent than the Company's current loan compliance tests. As a result, in order to qualify for certain loan extensions, the Company will likely be required to reduce the loan commitment by a substantial amount and make paydowns on certain loans. Additionally, continued increases in interest rates, reductions in real estate values and future tenant turnover in the portfolio will have a further impact on our ability to meet such tests and may further reduce our available liquidity under our loan agreements. Due to this potential reduction in loan commitment and ongoing capital expenditure needs in the Company's real estate portfolio, the Company may need to evaluate selling certain assets into a challenged real estate market in an effort to manage our liquidity needs, which would likely impact the ultimate sale price. Continued disruptions in the financial markets and economic uncertainty could adversely affect our ability to implement our business strategy and generate returns to stockholders. Further, potential changes in customer behavior, such as continued work-from-home arrangements, which increased as a result of the COVID-19 pandemic, could materially and negatively impact the future demand for office space, adversely impacting our operations.

Important Disclosures (cont.)

Forward-Looking Statements

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, since March 2020, the trading price of the common units of the SREIT has experienced substantial volatility.

No assurances can be given with respect to distributions. The Company has and may in the future fund distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds. The Company has no limits on the amounts it may pay from such sources.

Stockholders may have to hold their shares an indefinite period of time. The Company can provide no assurance that the Company will be able to provide additional liquidity to stockholders. Since 2019, due to the limitations on redemptions under our share redemption program, our pursuit of strategic alternatives and/or disruptions in the financial markets impacting the U.S. office market, the Company has either exhausted the funds available for ordinary redemptions under our share redemption program or implemented suspensions of ordinary redemptions under our share redemption program for all or a portion of the calendar year. On January 17, 2023, our board of directors determined to suspend ordinary redemptions under our share redemption program to preserve capital in the current market environment. The Company cannot predict future redemption demand with any certainty. If ordinary redemptions are resumed and future redemption requests exceed the redemption limitations under our share redemption program, the number of rejected redemption requests will increase over time.

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 Annual Report for the year ended December 31, 2022 and in Part II, Item 1A of the Company's Quarterly Report for the period ended March 31, 2023.

The Current Portfolio of Properties

Property	Metro City	Building Class (A,B or C)	Sq. Ft.	Classification (CBD, Urban, Suburban)	Mass Transit Availability	Leased Occupancy March 31, 2023[1]	WALE (in years) March 31, 2023 [2]
WEST							
Salt Lake Hardware	Salt Lake City	A	210,938	CBD	Metro/Light Rail	100%	5.8
201 Spear Street	San Francisco	A	254,598	CBD	Subway/Metro/Light Rail	65%	4.6
Ten Almaden	San Jose	A	309,255	CBD	Metro/Light Rail	59%	3.1
The Almaden	San Jose	A	416,126	CBD	Metro/Light Rail	87%	4.0
Towers at Emeryville	Oakland	A	593,484	Urban	Metro/Light Rail/Shuttle	70%	3.0
CENTRAL							
Accenture Tower	Chicago	A	1,457,724	CBD	Subway/Metro	96%	7.5
Legacy Town Center	Dallas	A	522,043	Urban	None	80%	4.3
Preston Commons	Dallas	A	427,799	Urban	None	97%	4.5
Sterling Plaza	Dallas	A	313,609	Urban	None	89%	3.8
60 South Sixth	Minneapolis	A	710,332	CBD	Metro/Light Rail	75%	8.0
515 Congress	Austin	A	267,956	CBD	Metro/Light Rail	97%	3.6
Park Place Village	Kansas City	A	484,980	Suburban	None	97%	6.2
EAST							
Carillon	Charlotte	A	488,277	CBD	Metro/Light Rail	79%	5.0
201 17th Street	Atlanta	A	355,870	Urban	Shuttle	87%	7.2
3001 Washington	Washington, D.C.	A	94,836	Urban	Metro	100%	6.5
3003 Washington	Washington, D.C.	A	211,054	Urban	Metro	99%	9.0
McEwen Building	Nashville	A	175,262	Suburban	None	95%	5.3
17 Total Assets		**Total**	**7,294,143**		**Weighted Average**	**86%**	**5.7**

[1] *Includes future leases that had been executed but had not yet commenced as March 31, 2023.*
[2] *Weighted Average Lease Expiry is measured across all tenants' remaining leases in years and is weighted based on the tenant's leased area.*

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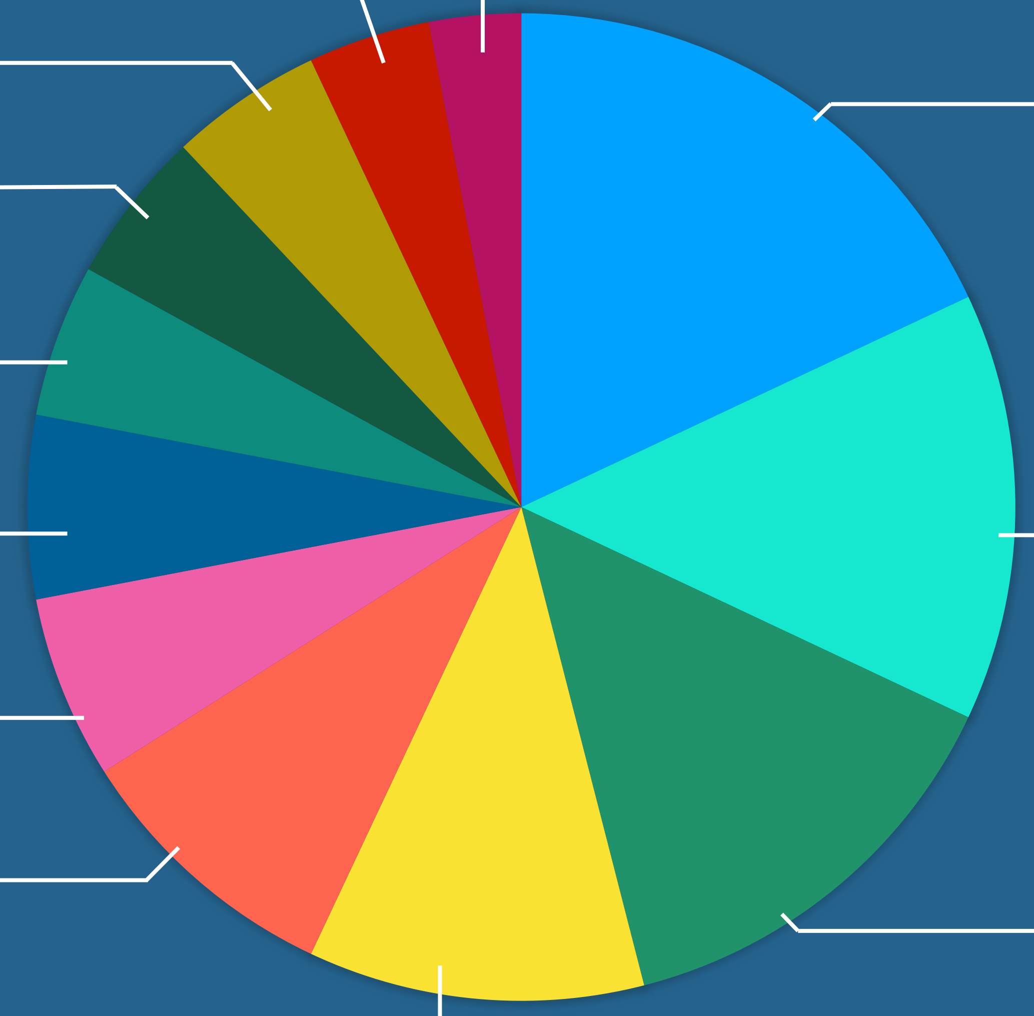
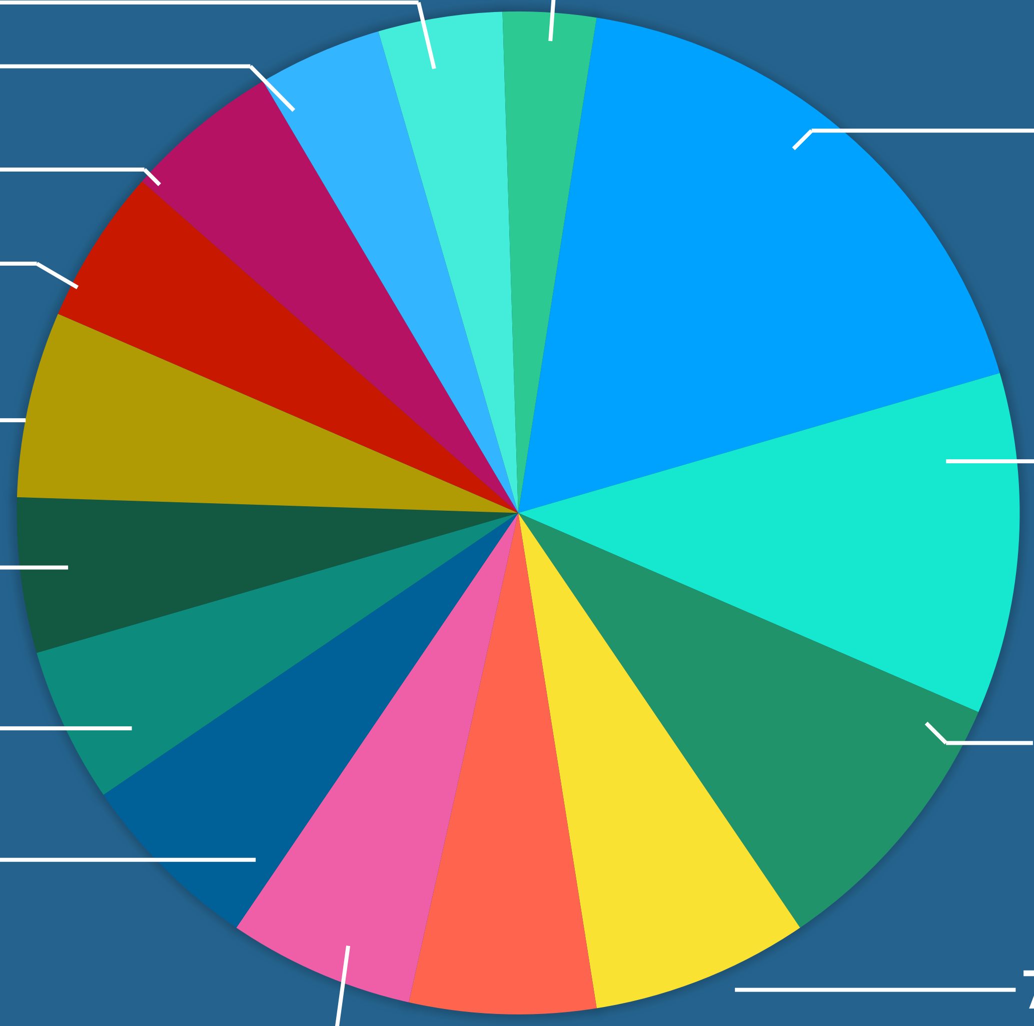
Statistics for the Current Portfolio

Asset Diversification | Largest asset accounts for **18%**

Market Diversification [1]



Asset Diversification [1]



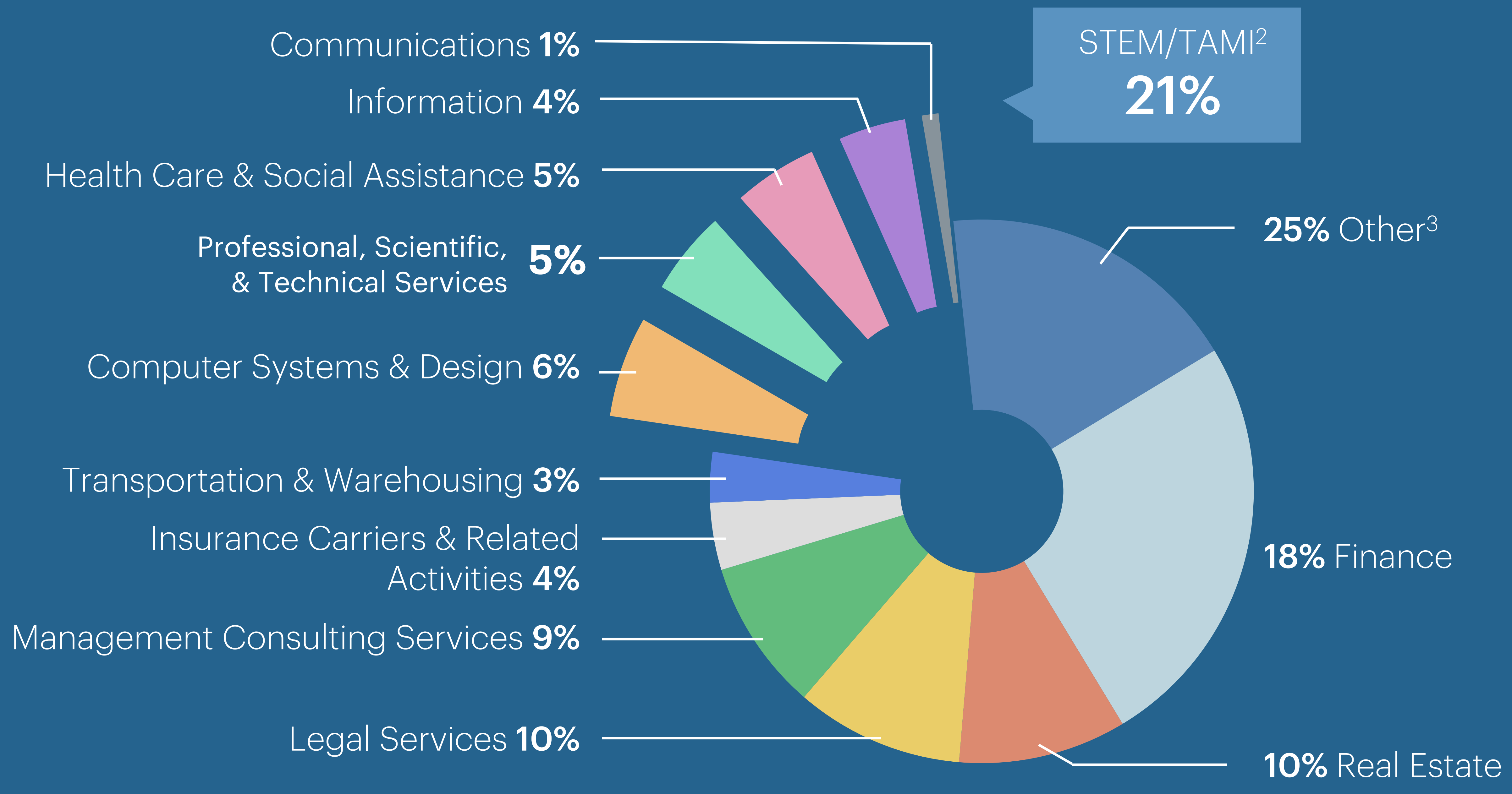
[1] *Annualized base rent represents annualized contractual base rental income as of March 31, 2023 adjusted to straight-line any contractual tenant concessions (including free rent), rent increases and rent decreases from the lease's inception through the balance of the lease term. Percent of annualized base rent is based on total annualized base rent of the current portfolio. Excludes MTM leases.*

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

Statistics for the Current Portfolio

Over **560 Tenants** with Staggered Lease Expirations and Industry Diversification

Tenant Industries [1]



- Industry diversification provides downside protection from any single industry. No one industry represents over 18% of the total portfolio.
- STEM/TAMI[2], represents 21% of the total portfolio.

Lease Expirations [1]

[1] Annualized base rent represents annualized contractual base rental income as of March 31, 2023 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. Excludes MTM leases.

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

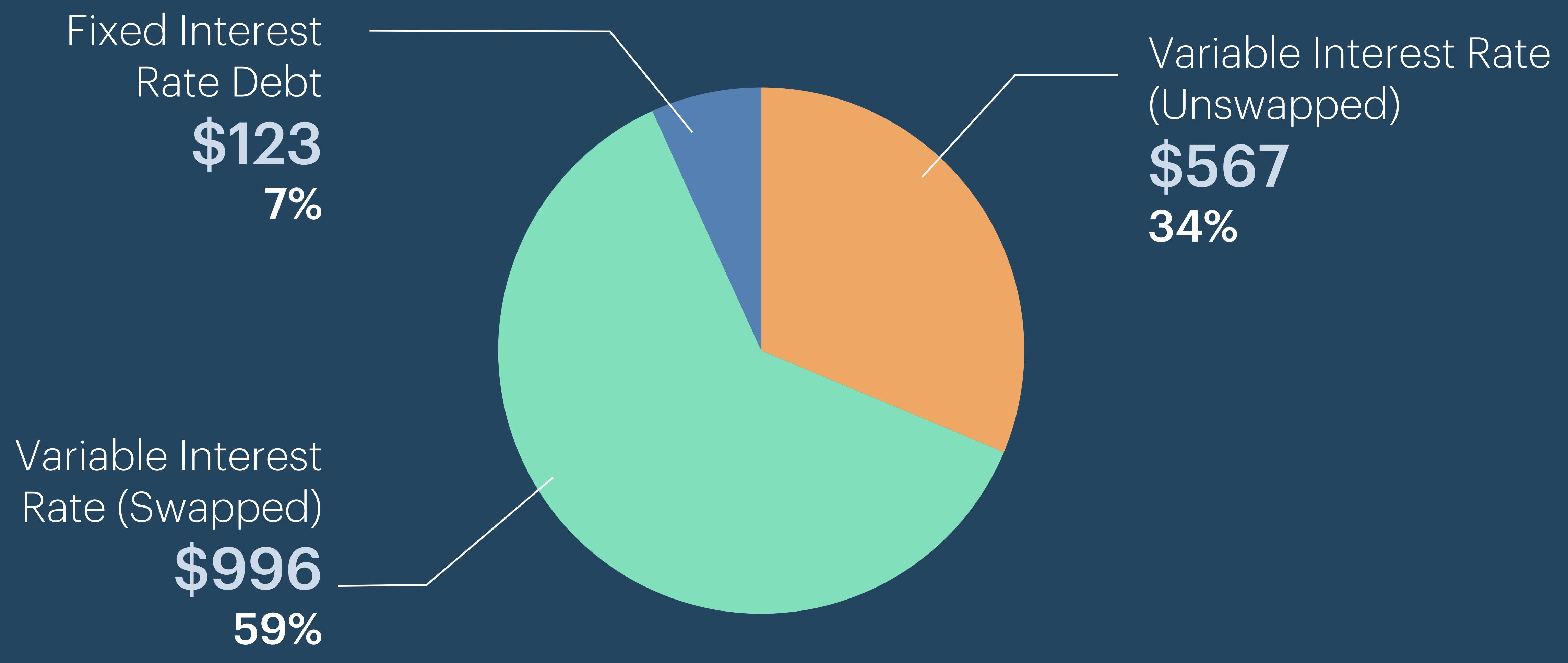
[3] "Other" is comprised of various industries that individually represent less than 3.0% of total annualized base rent, excluding STEM industries.

Capital Management[1]

As of March 31, 2023, unless otherwise noted

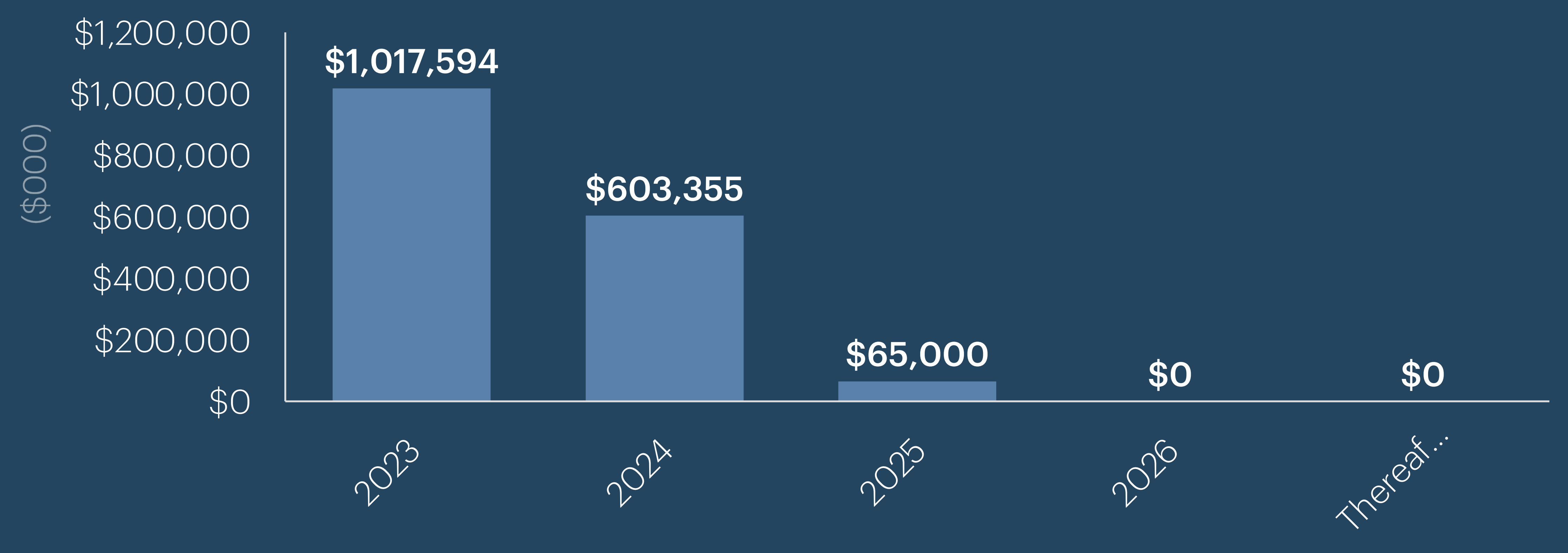
Total Debt[1]	$1.7 billion
Average cost of debt[2]	4.65% per annum

Interest Rate Exposure (in millions)



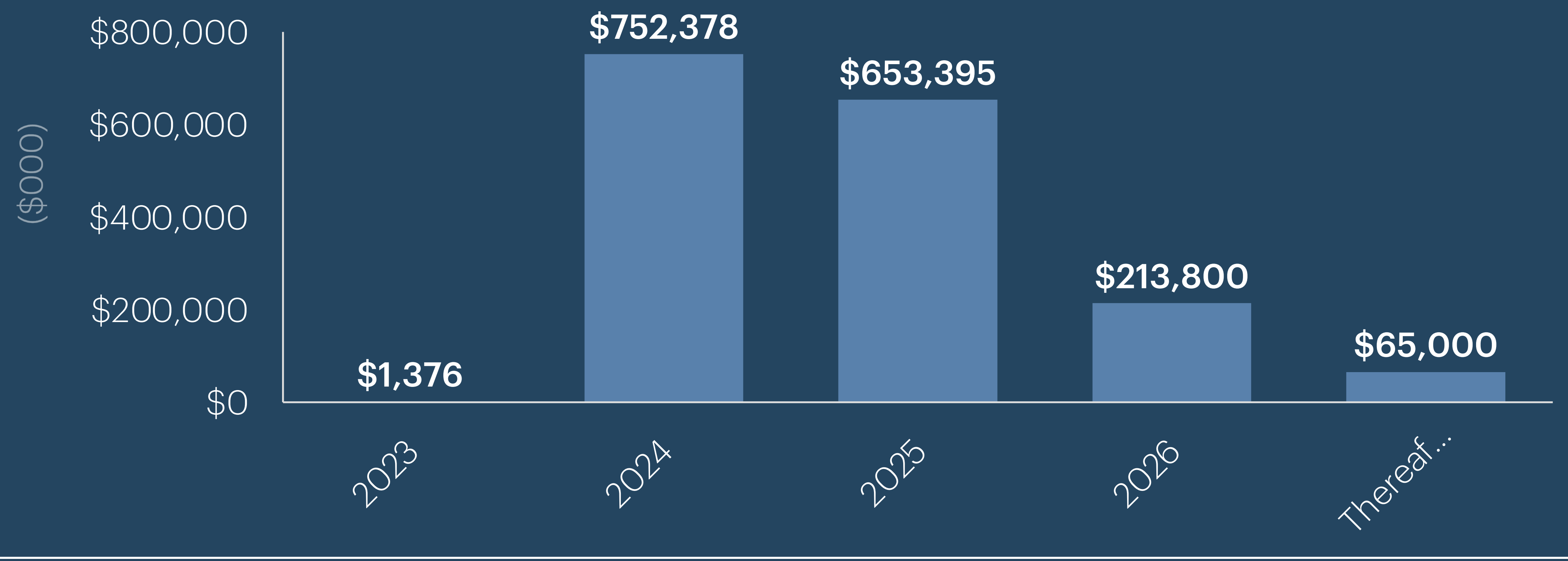
Initial Debt Maturities[3]

Average Term 0.8 years



Fully Extended Debt Maturities[1,3]

Average Term 2.1 years



[1] Based on total debt as of March 31, 2023.
[2] Average cost of debt includes the impact of interest rate hedges.
[3] Extensions available upon meeting certain conditions set forth in the loan agreements.

Debt Market Update

The Federal Reserve continues to indicate there may still be multiple interest rate hikes coming. Any additional hikes will continue to put pressure on real estate valuations and have an impact on the REIT's ongoing cashflows and liquidity, though the majority of our outstanding debt is protected with interest rate swaps. By late 2023, we anticipate there will be a clearer understanding of the maximum federal funds rate and once the rate hiking cycle is over, we anticipate a stabilization of real estate values at that point.

The current debt markets continue to be very challenging especially with respect to obtaining financing on commercial office buildings. Obtaining financing in the current environment for new office acquisitions is very difficult. We continue to have success extending and refinancing our current loans due to our deep relationships with our financing partners and strength of our underlying assets; however, as discussed later in this presentation with upcoming loan extensions for two loans, we anticipate that we will likely lose a substantial amount of the current commitment amount and will need to paydown on the outstanding balances.

Upcoming Loan Maturities and Status

The REIT has a significant number of loan maturities in the next 12 months (including the two largest loans in the portfolio), though all but one of them has additional extension options. However, with those extension options there are various debt service coverage ratio and loan to value tests that 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. However, sales volume in most markets has been very light across the US with sellers not willing to sell at discounted prices required by current buyers. As a result, appraisers are struggling with how to value assets in this environment with very few sales comparables to point to and there appears to be significant variability across appraisal firms as to current values.

We are currently working through the loan extension process for our Amended and Restated Portfolio Loan Facility (current commitment amount of $613M) and also the Accenture Tower Revolving Loan (current commitment of $375M). These extensions will require updated appraisals in order to determine the loan to value and the ultimate amount of commitment we qualify for. <u>We anticipate we will likely lose a substantial amount of loan commitment and need to make a paydown on the outstanding loan balances.</u> These facilities were historically used to help fund capital expenditures at the assets in the portfolio in order for the REIT to maintain occupancy and net operating income levels at the properties. <u>These reduced commitment levels will have a large impact on our ongoing liquidity and the outcome of these discussions with lenders will significantly impact the REIT going forward.</u>

Share Redemption Plan and Ongoing Dividends

From inception to date the REIT has fulfilled more than $783 million of redemption and repurchase requests or approximately 36% of the total equity raised to date (including equity from the dividend reinvestment plan). We have always been focused on providing shareholder liquidity and fulfilling redemption requests. However, due to the current market environment, at the beginning of the year we concluded it is critical to preserve capital and we determined to suspend ordinary redemptions under the share redemption plan and reduce the distribution rate from that of prior periods in order to properly manage the current real estate portfolio.

Additionally, due to the illiquidity of the current debt and capital markets, we will be adjusting the timing and amount of shareholder distributions going forward in order to be able to retain funds for future leasing needs in the portfolio. We will move to quarterly assessments of distributions, and by the last month of each calendar quarter we will make a decision on the distribution amount (if any) to be paid. In the current environment we must preserve capital in order to continue to lease up and enhance the REIT's investments in real estate which can no longer be fully funded from our existing or new loan facilities due to the illiquidity of the debt markets. In the near term it is likely that we will not pay distributions for some amount of time until there is improvement in the debt and capital markets.

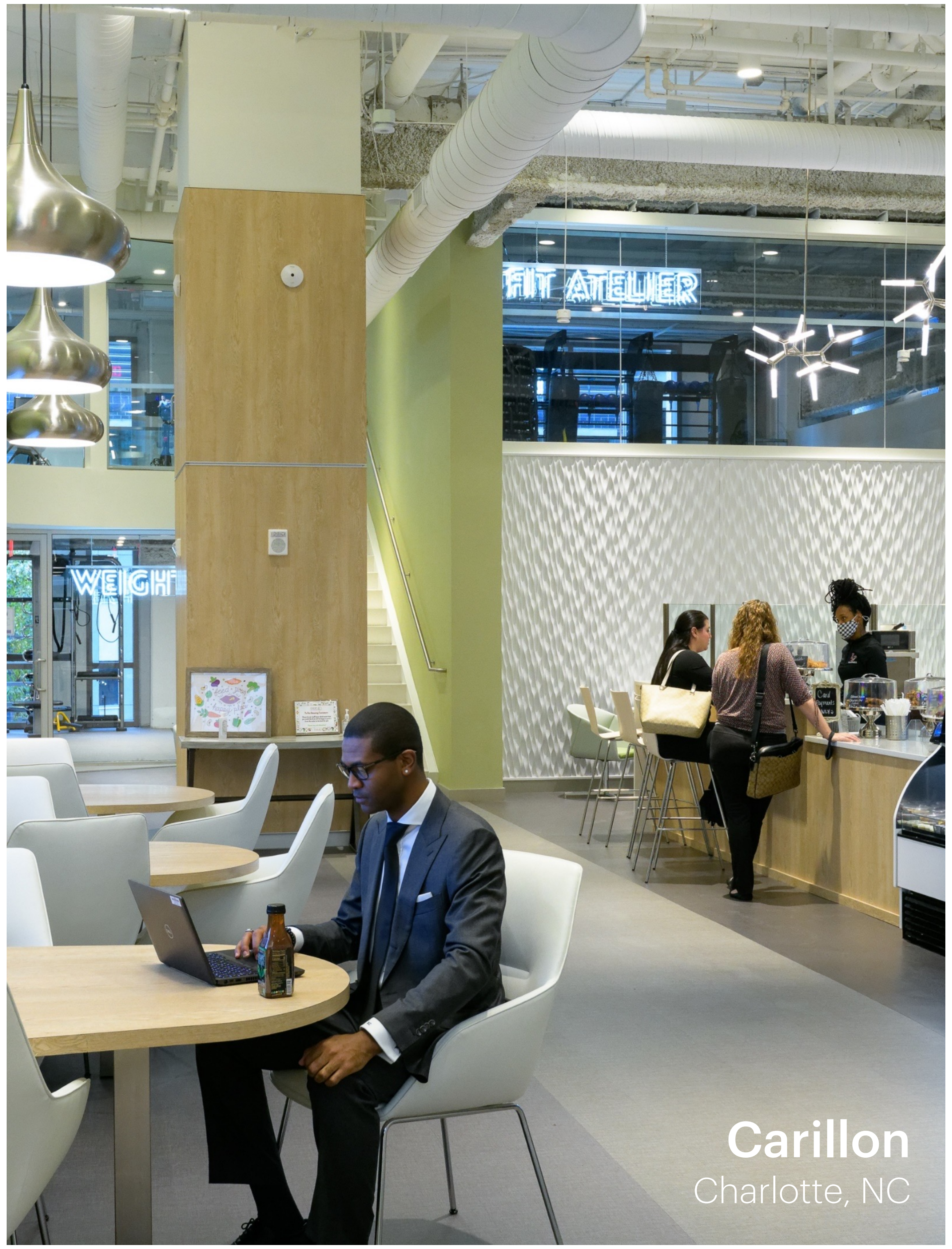
Additionally, the share redemption plan continues to be closed for ordinary redemptions. We remain focused on providing liquidity to shareholders through both distributions and redemptions, as liquidity is an important part of a shareholder's investment in the REIT; however, in the current environment we must be mindful of the current portfolio and the best outcome for shareholders in the long term.

Future Strategy

In the current market environment, a strategic transaction involving a nearly 100% office portfolio is very difficult if not impossible to achieve. The valuation of any kind of transaction would come at a significant discount.

While we continue to believe our portfolio is well-positioned for future success, including navigating issues caused by the pandemic, given continued disruptions in the financial markets, including the current economic slowdown, the rising interest rate environment and inflation (or the public perception that any of these events may continue) as well as potential changes in the demand for office properties resulting from the COVID-19 pandemic and uncertain economic conditions, 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 downturn in order to be ready to complete a strategic transaction or liquidation once the markets have improved.

We remain focused on returning funds to shareholders and providing liquidity as soon as it is sustainable and expedient based on market conditions and the strength of portfolio cashflows. We continue to evaluate targeted sales of real estate assets or other liquidity options in order to strengthen the liquidity position of the REIT both now and in the future. However, any significant future liquidity will likely require a stabilization of both the debt and capital markets which continue to be uncertain at the moment as the Federal Reserve continues to indicate there will be more interest rate hikes.



Carillon
Charlotte, NC

KBS

REIT III 2023 Goals & Objectives

- Efficiently manage the real estate portfolio through the economic downturn in order to maximize the long-term portfolio value to stockholders
- Extend and refinance certain maturing loans in the portfolio
- Manage liquidity in the REIT in order to continue to enhance asset values
- Continue to monitor the properties in the portfolio and the office market for beneficial sale opportunities in order to maximize value and further enhance liquidity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Q&A

For additional questions, contact

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