

A photograph of a modern, multi-story glass skyscraper at dusk. The building's windows are illuminated from within, creating a warm glow against the darkening sky. The architecture features a mix of glass and light-colored panels. The image is used as a background for a presentation slide.

**KBS**

Growth & Income  
Real Estate  
Investment Trust

# Valuation and Portfolio Update Meeting

December 12, 2019



## Important Disclosures

The information contained herein should be read in conjunction with, and is qualified by, the information in KBS Growth & Income Real Estate Investment Trust's (the "Company or KBS Growth & Income REIT or KBS G&I REIT") Annual Report on Form 10-K for the year ended December 31, 2018 (the "Annual Report"), and in the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 (the "Quarterly Report"), including the "Risk Factors" contained therein.

For a full description of the limitations, methodologies and assumptions used to value KBS G&I REIT's assets and liabilities in connection with the calculation of KBS G&I REIT's estimated value per share, see KBS G&I REIT's Current Report on Form 8-K dated December 4, 2019 (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 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 September 30, 2019 have been funded in part with cash flow from operating activities and in part with debt financing, including advances from the Company's advisor. In addition, distributions have been funded with cash resulting from the advisor's waiver and deferral of its asset management fee. There are no guarantees that the Company will continue to pay distributions or that distributions at the current rate are sustainable. 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 NAV per share, the appraisal methodology used for the appraised properties assumes 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. Though the appraisals of the appraised properties, 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, are the respective party's best estimates as of September 30, 2019, 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 and the estimated value per share. These statements herein also depend on factors such as: future economic, competitive and market conditions; the Company's ability to maintain 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.



## About KBS

Formed by Peter Bren and Chuck Schreiber in 1992.

Over 26 years of investment and management experience with extensive long-term investor relationships.

<sup>1</sup> As of September 30, 2019.

<sup>2</sup> The ranking by National Real Estate Investor is based on volume of office space owned globally, as of December 31, 2017. The results were generated from a survey conducted by National Real Estate Investor based on a combination of advertising and website promotion of the survey, direct solicitation of responses from participants, direct email to National Real Estate Investor subscribers and other identified office owners and daily newsletter promotion of the survey, all supplemented with a review of public company SEC filings.

<sup>3</sup> KBS was ranked #44 on Pensions & Investments List of Largest Real Estate Investment Managers, September 30, 2019. Ranked by total worldwide real estate assets, in millions, as of June 30, 2019. Real estate assets were reported net of leverage, including contributions committed or received, but not yet invested.



Transactional volume in excess of \$42.3 billion<sup>1</sup>, AUM of \$11.2 billion<sup>1</sup> and 35.3 million square feet under management<sup>1</sup>.



8th Largest Office Owner Globally, National Real Estate Investor<sup>2</sup>.



Among Top 44 Global Real Estate Investment Managers, Pensions & Investments<sup>3</sup>.



Buyer and seller of well-located, yield-generating office and industrial properties.



Advisor to public and private pension plans, endowments, foundations, sovereign wealth funds and publicly registered non-traded REITs.



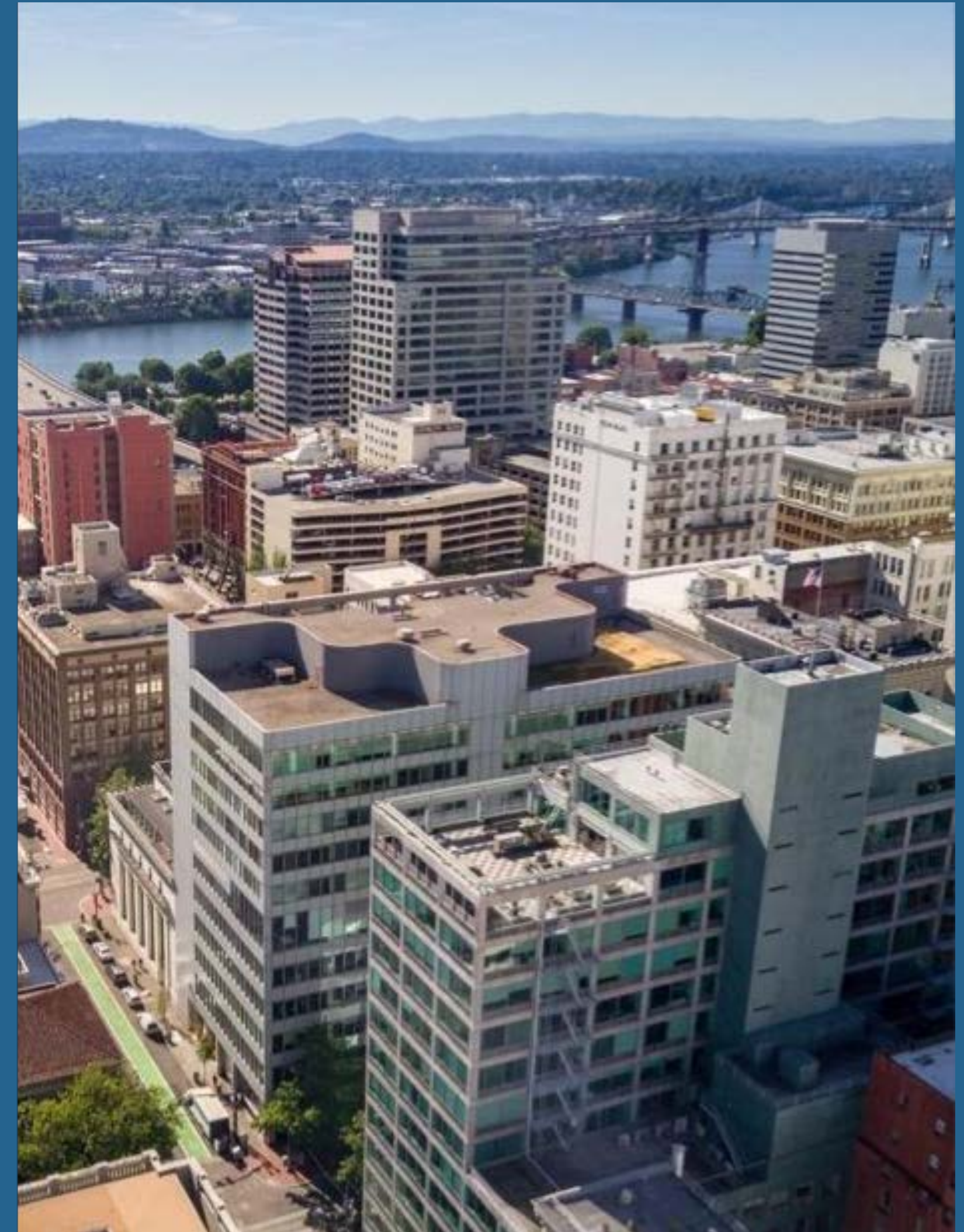
A trusted landlord to thousands of office and industrial tenants nationwide.



A preferred partner with the nation's largest lenders.

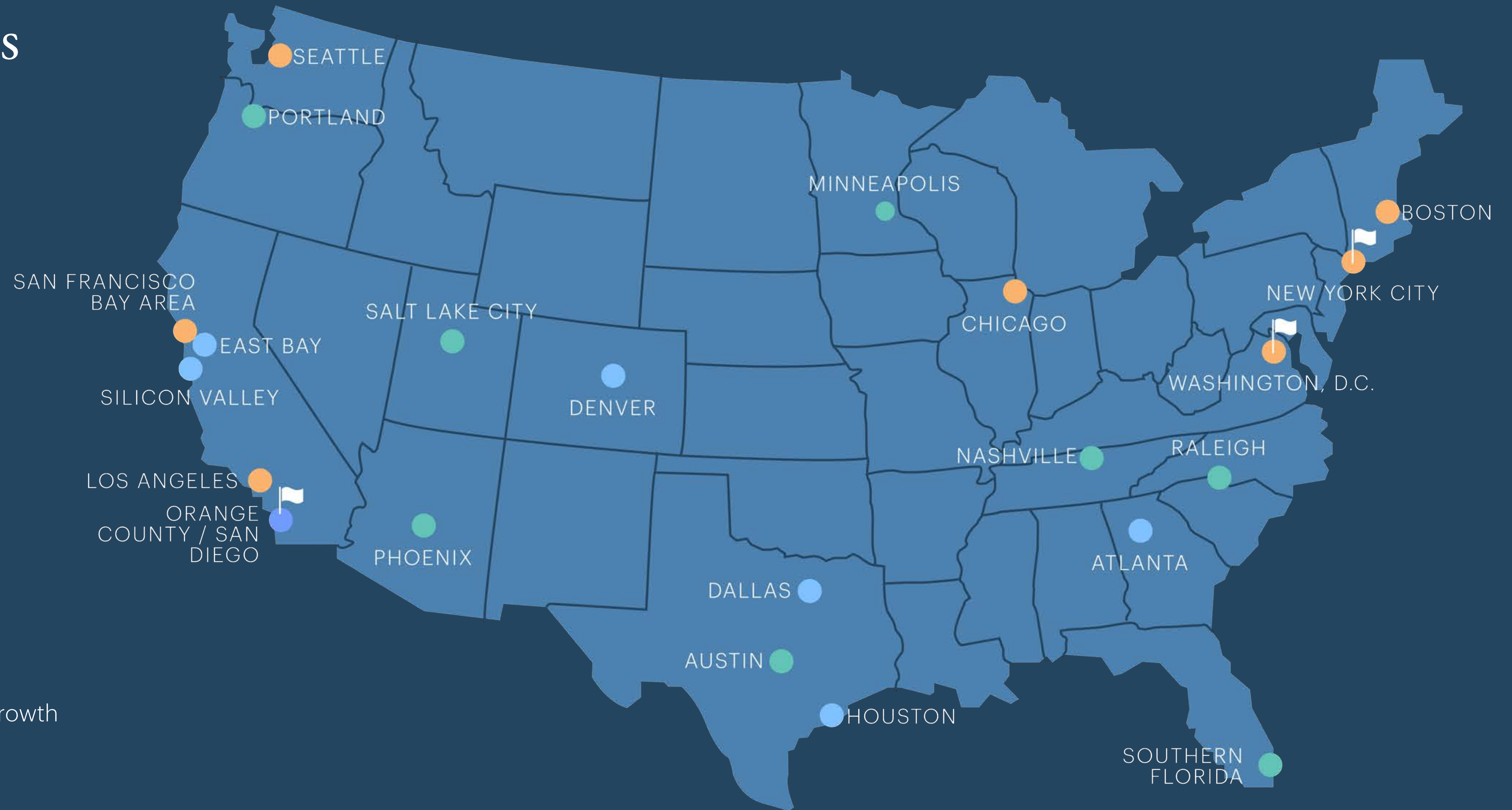


A development partner for office, mixed-use and multi-family developments.





## Regional Focus Map





## Investment Objectives

- ✓ Achieve long-term growth in the value of the portfolio
- ✓ Build a diverse portfolio of core real estate properties
- ✓ Preserve and return stockholders' capital contributions
- ✓ Provide investors with attractive and stable cash distributions





# Office Market Update

According to Cushman & Wakefield’s Third Quarter 2019 MarketBeat Report, the U.S. economy continued to grow at a steady pace in the third quarter of 2019, adding approximately 470,000 new jobs, of which 140,000 were in the key office-using sectors. Consumer confidence remains solid, indicating shoppers are still optimistic. As of September 2019, the unemployment rate is at 3.7% .

## EMPLOYMENT INDICATORS\*

	Q3 18	Q3 19	12-Mo. Forecast
Total Non-Farm Employment	149.4 M	151.5 M	▲
Office-Using Employment	32.7 M	33.0 M	▲
Unemployment	3.8%	3.7%	▲

## MARKET INDICATORS\*

	Q3 18	Q3 19	12-Mo. Forecast
Net Absorption	10.9 M	9.8 M	—
Under Construction	112.6 M	126.6 M	▼
Weighted Asking Rent (FS)	\$31.36	\$32.63	▲

\*Cushman & Wakefield, MarketBeats 3Q 2019



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# KBS Growth & Income REIT 3rd Quarter Portfolio Highlights





## Fund and Portfolio Overview

As of September 30, 2019

- 1 Represents aggregate acquisition price (excluding closing costs) of the consolidated real estate portfolio and any subsequent capital expenditures.  
2 Represents cost basis, which is acquisition price (excluding closing costs) plus subsequent capital expenditures for the consolidated real estate portfolio.  
3 Equals the appraised value of the consolidated real estate portfolio as of September 30, 2019.  
4 Data as of September 30, 2019. See the Current Report on Form 8-K dated December 4, 2019.  
5 Includes proceeds from distribution reinvestment plan. Total equity raised as of December 31, 2018 was \$90.0 million.  
6 Includes future leases that had been executed but had not yet commenced as of September 30, 2019.  
7 Distributions are not guaranteed.  
8 Calculated as total debt on consolidated real estate properties of \$118.5 million divided by December 2019 estimated value.

### FUND OVERVIEW

Initial Private Offering

**June 2015 – April 2016**

Public Offering

**April 2016 – June 2017**

Second Private Offering

**October 2017 – Current**

Current Offering Price (Dec. 2019 NAV)<sup>4</sup>

**\$8.43 per share**

Total Equity Raised<sup>5</sup>

**\$93.8 million**

Current Distribution Rate<sup>7</sup>

**6.00% based on NAV**

### PORTFOLIO OVERVIEW

Total Acquisitions<sup>1</sup>

**\$179.5 million**

Cost Basis<sup>2</sup>

**\$190.7 million**

Dec. 2019 Estimated Value of  
Consolidated Properties<sup>3</sup>

**\$208.7 million**

Rentable Sq. Ft.

**683,952**

Total Leased<sup>6</sup>

**93.4%**

Total Leverage<sup>8</sup>

**56.8%**



## Portfolio Highlights

As of September 30, 2019

PROPERTY NAME, CITY STATE	PROPERTY TYPE / NO. OF BUILDINGS	ACQUISITION DATE	SIZE (SF)	PURCHASE PRICE <sup>1</sup>	OCCUPANCY % AT ACQUISITION	LEASED % AS OF 9/30/19 <sup>2</sup>
<b>Von Karman Tech Center<sup>3</sup></b> Irvine, CA	Office 1 Building	8/12/2015	101,161	\$21,277,000	100%	88%
<b>Commonwealth Building</b> Portland, OR	Office 1 Building	6/30/2016	224,122	68,545,000	96%	97%
<b>The Offices at Greenhouse</b> Houston, TX	Office 1 Building	11/14/2016	203,284	46,489,000	95%	100%
<b>213 West Institute Place</b> Chicago, IL	Office 1 Building	11/9/2017	155,385	43,155,000	92%	84%
<b>TOTAL / WEIGHTED AVG.</b>			<b>683,952</b>	<b>\$179,466,000</b>	<b>96%</b>	<b>93%</b>

<sup>1</sup> Purchase price reflects contractual purchase price, net of closing credits, and excludes acquisition fees and expenses.

<sup>2</sup> Total leased percentage includes future leases that have been executed but have not yet commenced as of September 30, 2019.

<sup>3</sup> On November 25, 2019, KBS G&I REIT entered into an agreement to sell Von Karman Tech Center to an unaffiliated purchaser for a gross sales price of \$25.4 million.



# Capital Management

As of September 30, 2019

Total Debt **\$118.5 million**

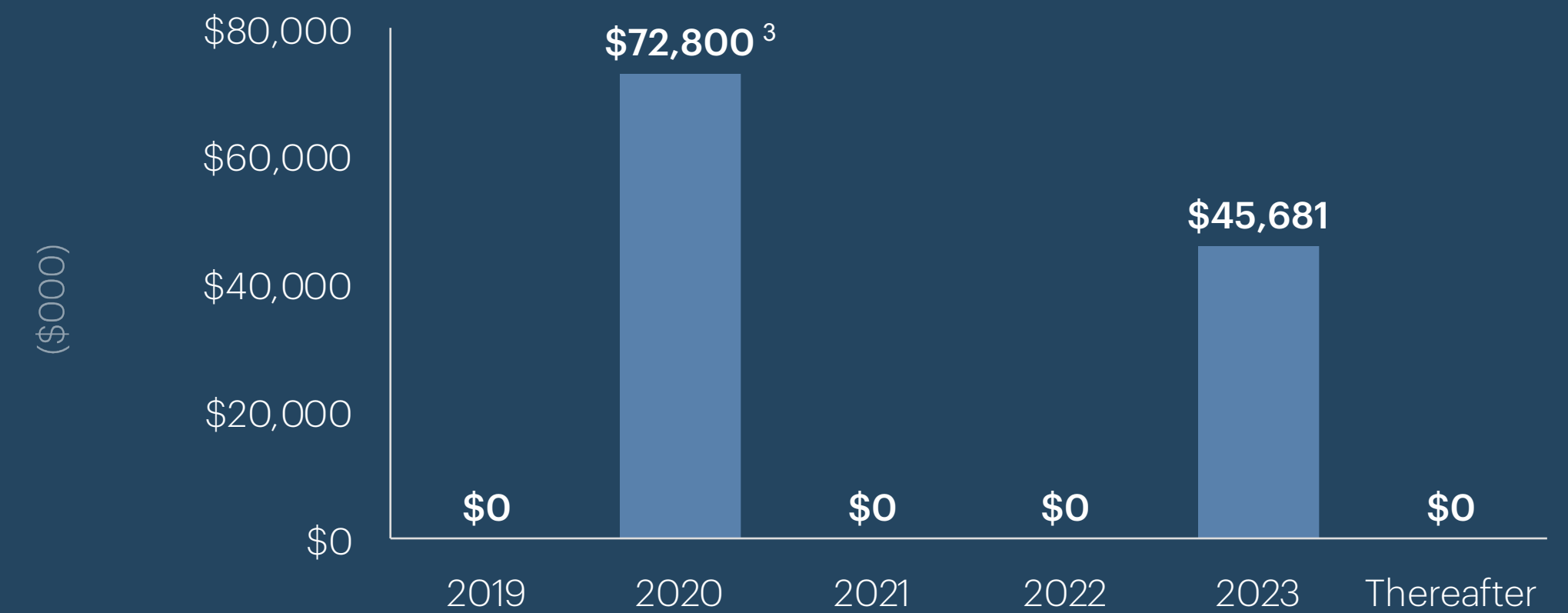
Loan-to-Value<sup>1</sup> **56.8%**

Average cost of debt<sup>2</sup> **4.2% per annum**

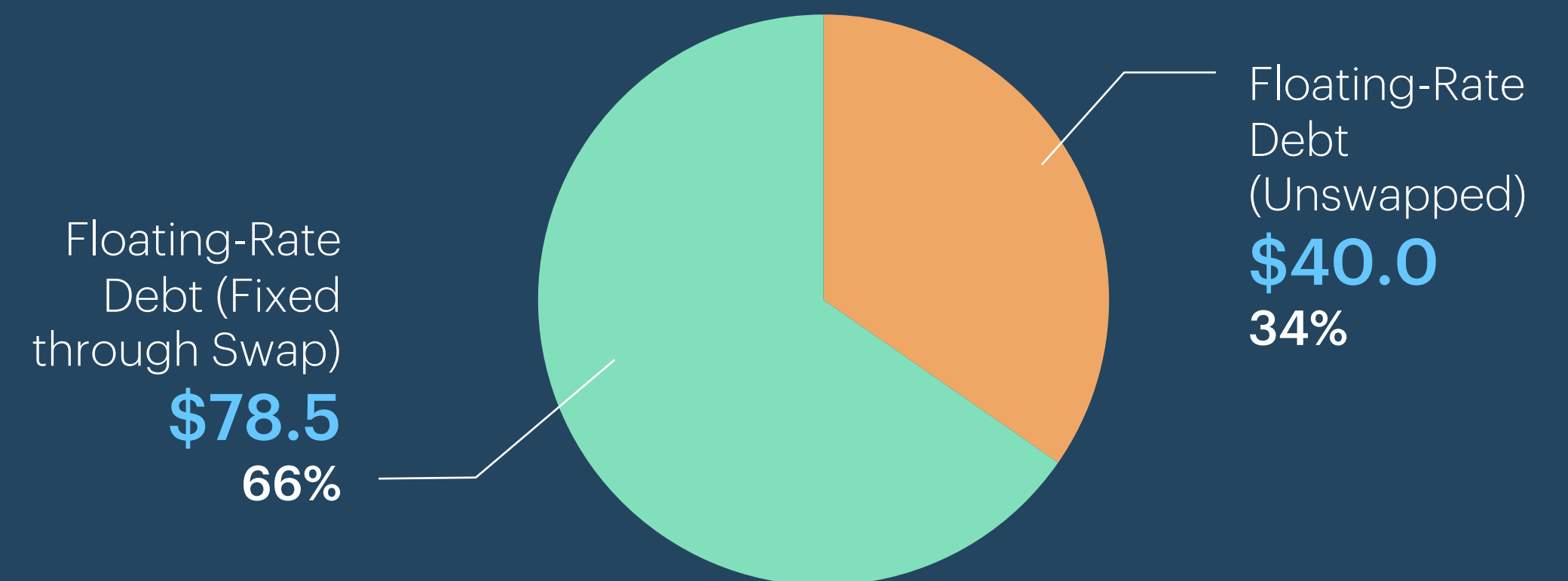
Average term to initial maturity **1.97 years**

Average term to fully extended maturity **3.97 years**

Initial Debt Maturities



Interest Rate Exposure (\$ in millions)



<sup>1</sup> Calculated as total debt on properties of \$118.5 million divided by December 2019 estimated value of consolidated properties.

<sup>2</sup> Average cost of debt as of September 30, 2019.

<sup>3</sup> As of September 30, 2019, \$72.8 million of debt maturing in 2020 has the option to extend to 2022.



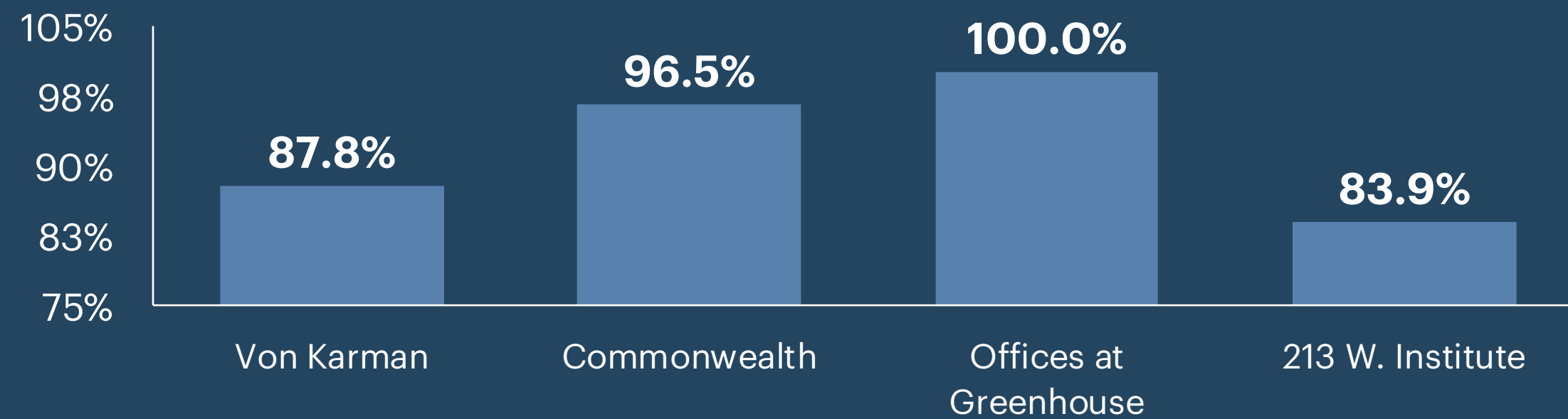
## Portfolio Overview<sup>1</sup>

### Key Statistics

No. of Assets	4
Total Rentable Sq. Ft.	683,952
Wtd Avg Lease Term	3.8 years
Economic Occupancy	93.1%
Leased Occupancy <sup>2</sup>	93.4%
No. of Tenants	70

### Leased Occupancy<sup>2</sup>

Region 1



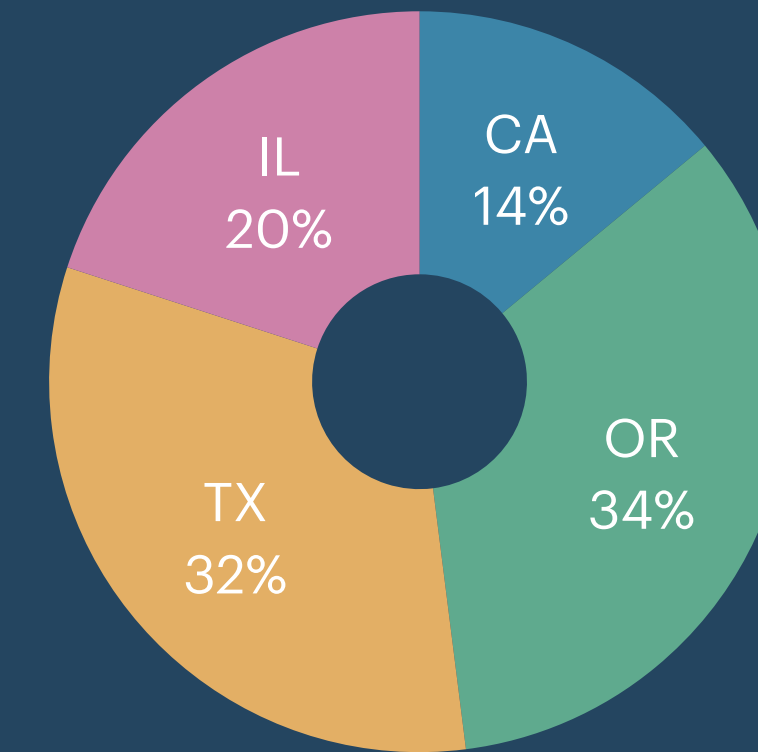
<sup>1</sup> All information in the property overview excludes investment in unconsolidated JV. On November 25, 2019, KBS G&I REIT entered into an agreement to sell Von Karman Tech Center to an unaffiliated third party.

<sup>2</sup> Leased % includes future leases that had been executed but had not yet commenced as of September 30, 2019.

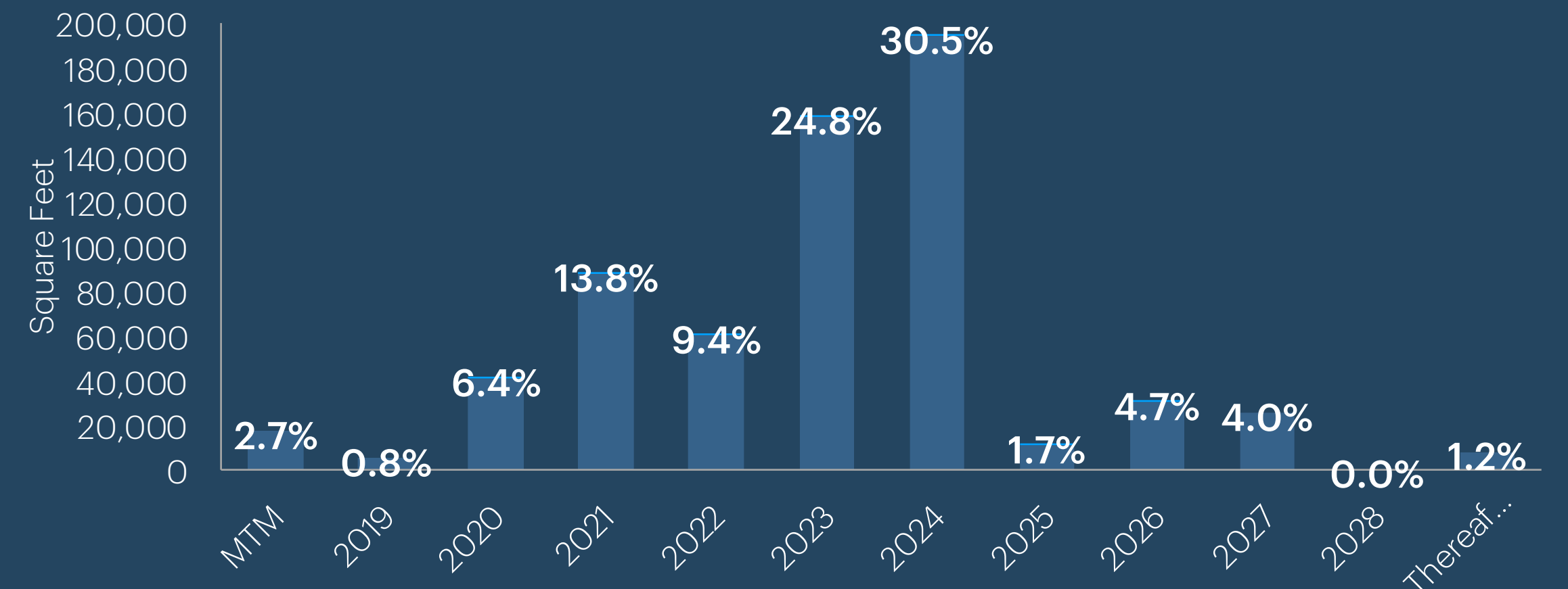
<sup>3</sup> Based on occupied square feet as of September 30, 2019.

As of September 30, 2019

### Geographic Diversification<sup>3</sup>



### Occupied SF Expirations as of September 30, 2019





# Tenancy Overview<sup>1</sup>

Top 10 Tenants	Industry	Property	% of Portfolio <sup>2</sup>
AECOM	Professional, Scientific and Technical	Offices at Greenhouse	21.3%
Hosting.com	Information	Von Karman	7.1%
J. Connor Consulting, Inc.	Management Consulting	Offices at Greenhouse	5.0%
Galois, Inc	Computer Systems Design & Programming	Commonwealth	5.0%
Quantum Spatial	Professional, Scientific and Technical	Commonwealth	3.8%
City of Portland	Public Administration (Government)	Commonwealth	3.2%
Otoharmonics Corporation	Professional, Scientific and Technical	Commonwealth	3.1%
Cushing and Company	Other	213 W. Institute	3.0%
Infogroup, Inc.	Information	Commonwealth	2.2%
Kennedy Jenks Consult, Inc	Professional, Scientific and Technical	Commonwealth	2.0%
<b>TOTAL</b>			<b>55.7%</b>
<b>Weighted Average Lease Term (Top 10 Tenants)</b>			<b>4.38 years</b>

1 All information in the tenancy overview excludes investment in unconsolidated JV.

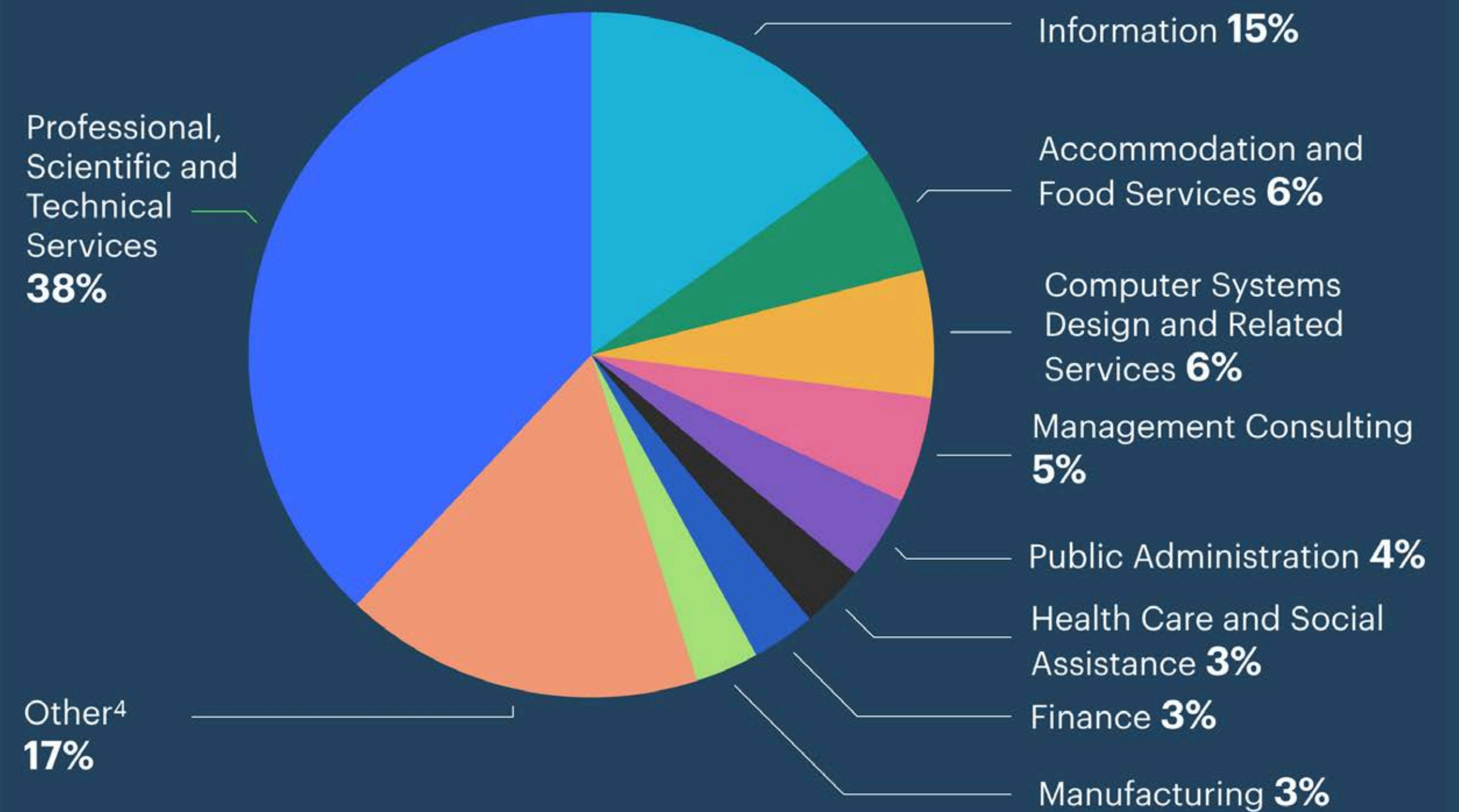
2 Based on occupied square feet as of September 30, 2019.

3 Annualized base rent represents annualized contractual base rental income as of September 30, 2019, 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.

4 "Other" is comprised of various industries with less than 3% of total annualized base rent.

As of September 30, 2019

## Industry Diversification<sup>3</sup>





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December  
2019  
Estimated  
Value Per  
Share





## Valuation<sup>1</sup>

KBS G&I REIT's estimated value per share<sup>2</sup> was determined in accordance with the Institute for Portfolio Alternatives' (formerly known as the Investment Program Association) Practice Guideline 2013-01, Valuations of Publicly Registered Non-Listed REITs.

Duff & Phelps, an independent, third-party real estate valuation firm, was engaged to provide a calculation of the range in estimated value per share of common stock as of September 30, 2019. Duff & Phelps based the range in estimated value per share upon:

- Appraisals of all four KBS G&I REIT's real estate properties owned and one investment in unconsolidated joint venture as of September 30, 2019, performed by Duff & Phelps.
- Valuations performed by the Advisor of KBS G&I REIT's cash, other assets, mortgage debt and other liabilities. The estimated value of the notes payable is equal to the GAAP fair value as disclosed in the Quarterly Report, and the estimated values of cash and a majority of other assets and other liabilities are equal to their carrying values.
- The estimated value per share did not include an enterprise (portfolio) premium or discount. Consideration was given to any potential subordinated participation in cash flows that would be due to the Advisor in a hypothetical liquidation if the required stockholder return thresholds are met. The Advisor estimated the fair value of this liability to be \$0.

KBS G&I REIT's board of directors approved \$8.43, which represents the mid-range value of the range in estimated value per share calculated by Duff & Phelps, as the estimated value per share of KBS G&I REIT's common stock as recommended by the Advisor and KBS G&I REIT's conflicts committee. Both the range in estimated value per share and the estimated value per share were based on Duff & Phelps' appraisals and the Advisor's valuations.

<sup>1</sup> For more information, see the Valuation 8-K.

<sup>2</sup> The estimated value of the REIT's assets less the estimated value of the REIT's liabilities, divided by the number of shares outstanding, all as of September 30, 2019.



# Valuation Summary

	<i>December 2019<sup>1</sup> Estimated Value</i>	<i>December 2018<sup>2</sup> Estimated Value</i>
Real Estate (Consolidated Properties)	\$208,700,000 (96.9%)	\$206,200,000 (96.2%)
Investment in Unconsolidated Joint Venture <sup>3</sup>	\$824,443 (0.4%)	\$0 (0.0%)
Cash	\$4,903,245 (2.3%)	\$5,660,705 (2.7%)
Other Assets <sup>4</sup>	\$839,258 (0.4%)	\$2,425,911 (1.1%)
<b>Total Assets:</b>	<b>\$215,266,946</b>	<b>\$214,286,616</b>
Mortgage Debt	\$119,307,267	\$118,981,000
Other Liabilities <sup>5</sup>	\$10,860,798	\$6,985,061
<b>Total Liabilities:</b>	<b>\$130,168,065</b>	<b>\$125,966,061</b>
<b>Net Equity at Estimated Value</b>	<b>\$85,098,881</b>	<b>\$88,320,555</b>

1 Based on data as of September 30, 2019 as discussed in the Valuation 8-K.

2 Based on data as of September 30, 2018.

3 Represents 50% equity interest in an office property

4 Includes rents and other receivables, deposits and prepaid expenses as applicable.

5 Includes accounts payable, accrued liabilities, security deposits and prepaid rent.



# Valuation Change Summary

On December 4, 2019, KBS G&I REIT's Board of Directors approved an estimated value per share of \$8.43.<sup>1</sup> The following is a summary of the estimated value per share changes within each asset and liability group from the December 2018 estimated value per share:

<sup>1</sup> Based on the estimated value per share of KBS G&I REIT's assets less estimated value of KBS G&I REIT's liabilities, divided by the number of shares outstanding, all as of September 30, 2019.

<sup>2</sup> Operating cash flows reflects modified funds from operations ("MFFO") adjusted to add back the amortization of deferred financing costs and deferral of asset management fee. The Company computes MFFO in accordance with the definition included in the practice guideline issued by the IPA in November 2010.

<b>December 2018 estimated value per share</b>	<b>\$</b>	<b>9.20</b>
<b>Changes to estimated value per share:</b>		
Real Estate (Consolidated Properties)		0.25
Capital expenditures on real estate		(0.40)
<b>Total change related to real estate</b>		<b>(0.15)</b>
<b>Investment in Unconsolidated Joint Venture</b>		<b>(0.01)</b>
<b>Distributions declared in excess of operating cashflows<sup>2</sup></b>		<b>(0.11)</b>
<b>Changes to other assets and liabilities:</b>		
Interest rate swaps		(0.31)
Deferral of asset management fee liability		(0.19)
<b>Total changes to fair value of other assets and liabilities</b>		<b>(0.50)</b>
<b>Total change in estimated value per share</b>	<b>\$</b>	<b>(0.77)</b>
<b>December 2019 estimated value per share</b>	<b>\$</b>	<b>8.43</b>



## Valuation Review

On December 4, 2019, KBS G&I REIT's Board of Directors approved an estimated value per share of \$8.43.<sup>1</sup> The decrease in the estimated value per share was primarily due to the following:

- An increase in fair value of interest rate swap liabilities
- Distributions paid in excess of operating cash flows
- Accrued and deferred asset management fees
- Change in real estate value

<sup>1</sup> Data as of September 30, 2019. See the Valuation 8-K dated December 4, 2019.





# Interest Rate Swap Liability

KBS G&I REIT enters into derivative instruments for risk management purposes to hedge its exposure to cash flow variability caused by changing interest rates. As of September 30, 2019, KBS G&I REIT has entered into two interest rate swap agreements to mitigate its exposure to rising interest rates as follows:

	Number of Instruments	NOTIONAL AMOUNT (in 000's)	Weighted-Average Fix Pay Rate	Weighted-Average Remaining Term	Fair Value (in 000's) as of		
					September 30, 2019	September 30, 2018	Change
Interest Rate Swaps	2	\$78,533	2.4%	2.7 years	\$(1,856)	\$1,314	\$(3,170)

As shown above, the fair value of interest rate swaps decreased by \$3.2 million, which decreased the estimated value by \$0.31 per share. The value of interest rate swaps is primarily impacted by interest rates, market expectations about interest rates and the remaining life of the instrument. This decrease is a reflection of the interest rate environment and the decrease in interest rates year-over-year.



## Distribution in Excess of Operating Cash Flow

Throughout 2019, KBS G&I REIT has been declaring and paying distributions based on a 6% annualized rate. However, operating cash flow<sup>1</sup> was not covering distributions, as a result, there was dilution to the estimated value per share. Below is information regarding the REIT's distribution and its impact on the estimated value per share:

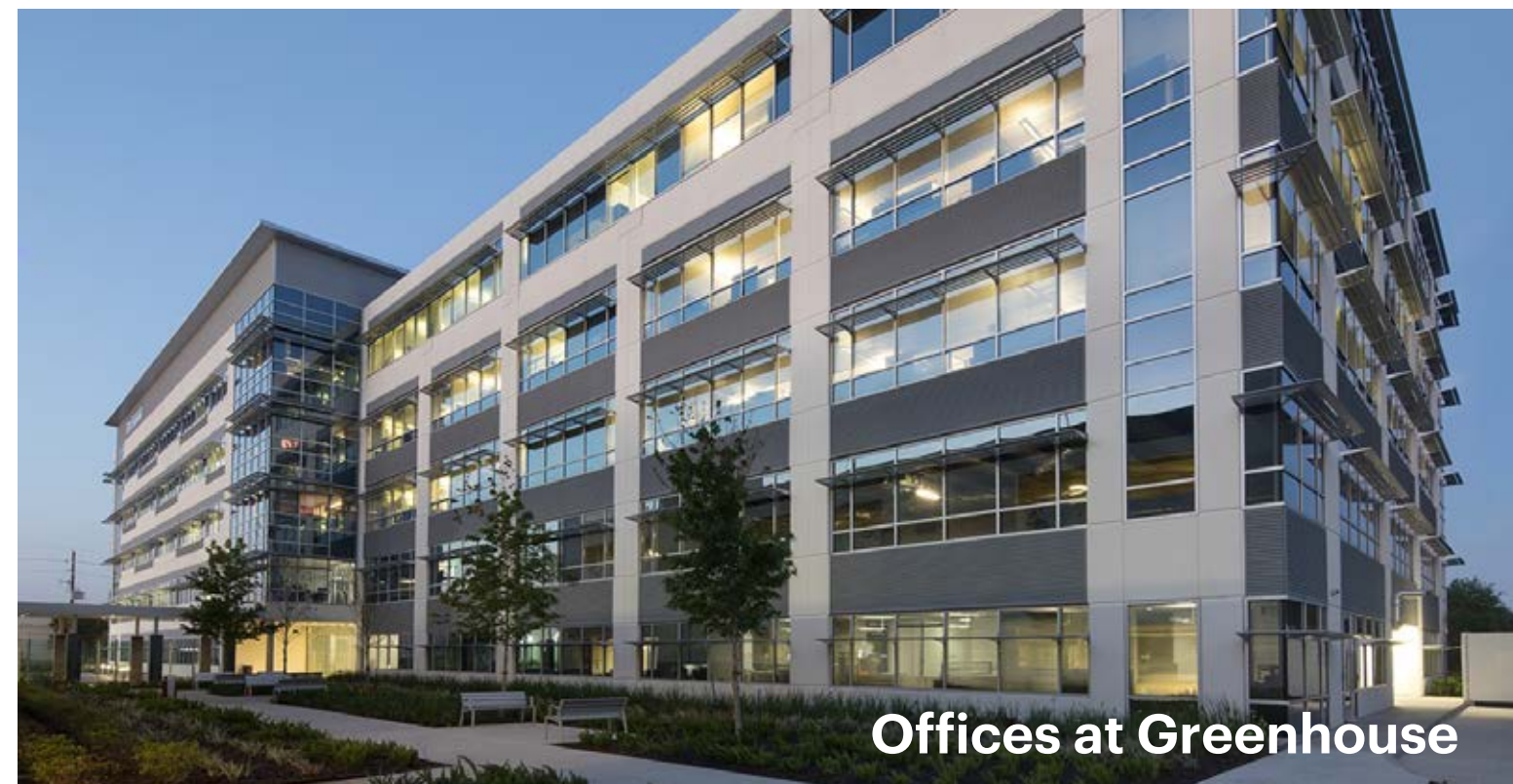
- Distribution declared for the period from September 30, 2018 to September 30, 2019 was \$0.54/share compared to operating cash flow before the deferral of asset management fee of \$0.24/share, resulting in a decrease in the estimated value per share of \$0.30/share.
- Deferral of asset management fee allows the REIT to support a higher distribution out of cash flows, but it is a liability on the books that reduces the estimated value per share.
- Distribution coverage was negatively impacted by unexpected lease turnover at Von Karman Tech and 213 West Institute.
- While the estimated value per share is reduced by distribution in excess of operating cash flow, the impact to the shareholder is minimized by the cash distribution they would have received.

During the initial stages of the offering, it is anticipated that distributions would be higher than operating cash flow but to level out once the REIT grows. KBS G&I REIT has not achieved the growth that was anticipated and thus G&A costs have had a significant impact on the REIT's cash flows. As a result, future distributions will likely be reduced in order to have distributions covered by operating cash flows.

<sup>1</sup> Operating cash flows reflects modified funds from operations ("MFFO") adjusted to add back the amortization of deferred financing costs and deferral of asset management fee. The Company computes MFFO in accordance with the definition included in the practice guideline issued by the IPA in November 2010.



## Real Estate Valuation Updates



### 213 W. Institute

The appraised value decreased \$3.4 million, or 7.4%, compared to prior year appraised value plus capital expenditures due to the following:

- Dogwhistle, a tenant who occupied 13,822 SF was evicted in September 2018. As of current, 3,477 SF will have been re-leased. The downtime to lease the balance of the space, along with the cost, has caused a drag to value.
- The additional vacancy caused by Dogwhistle was further exacerbated by the lack of retention of leases expiring in 2019. Out of the nine tenants who had expiring leases in 2019, only two chose to renew, both of which were at rates below market. This resulted in a renewal percentage of just 22% based on square footage.
- According to Cushman and Wakefield Research, year-over-year asking office rents in River North have declined 3% from Q3 2018 to Q3 2019.

### Offices at Greenhouse

The appraised value increased \$3.0 million, or 5.5%, compared to prior year appraised value plus capital expenditures due to the following:

- 100% leased and occupied with no major projected capital expenditures for the foreseeable future.
- An increase in net operating income due to full occupancy, contractual rent steps over 2019 levels, and no remaining contractual free rent periods.
- Improvement in Houston's capital markets activity between appraisal dates including the recent sales of City Center V and Westway Plaza in West Houston which support the increased valuation for Greenhouse. Such investment activity is indicative of a generally accepted sentiment that the worst of the energy-pricing related downturn in Houston is behind us, the related recovery being consistent with and part of our original investment plan at acquisition.



## Real Estate Valuation Updates



### Von Karman Tech Center

The appraised value decreased \$2.9 million, or 10.2%, compared to prior year appraised value due to the following:

- The major tenant, Hosting.com (44,892 SF), recently merged with Ntirety, and as a part of the merger, Ntirety engaged Cushman & Wakefield to market a portfolio sale of seven data centers, including the one at Von Karman Tech. This raises the concern that Hosting.com will not renew its lease at expiration on 6/30/23. Furthermore, data center tenants' have a strong preference to be in standalone buildings which Von Karman Tech is not able to offer and the Orange County Data Center market is currently 20% over capacity. We are increasing our capital projection to re-tenant the space in case Hosting.com vacates.
- Combatant Gentlemen, a tenant who leased 9,313 SF went out of business and vacated Suite 450 earlier than expected.
- On November 25, 2019, KBS G&I REIT entered into an agreement to sell Von Karman Tech Center to an unaffiliated third party.



## Fund Raising and Status of the REIT

KBS G&I REIT has been unable to raise substantial funds in its offering and the REIT has not acquired a diverse portfolio of real estate investments. Due to the lack of size, the cost of operating the REIT constitutes a greater percentage of its net operating income and the estimated value per share has and will vary more widely with the performance of specific assets. Accordingly, the Board has formed a special committee to evaluate strategic alternatives for the REIT and has currently decided on the following:

- Temporarily suspend the primary portion of its ongoing offering while evaluating strategic alternatives; although the REIT will continue to accept shares under the dividend reinvestment plan.
- Engage a financial advisor to assist with the evaluation of strategic alternatives.
- Distributions paid through December 2019 has been funded in part with debt financing and the deferral of asset management fees, which is dilutive to the estimated value per share. Moving forward, the Board will reassess and likely decrease the amount of ongoing distributions in 2020.



## 2020 Goals

- ✓ Evaluate strategic alternatives
- ✓ Improve property cash flow through strategic leasing renewals with existing tenants and new leases for current vacant space
- ✓ Continue value enhancing capital projects to maintain the high level of occupancy





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# Q&A

For additional questions,  
contact

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