

MESSAGE FROM THE CEO AND END OF YEAR REVIEW



December 30, 2020

Dear Stakeholder,

We are nearing the end of an unprecedented year primarily due to the global pandemic that ground the world's economy to a standstill, made entire industries almost obsolete and upended the way most companies have traditionally conducted business. Working From Home accelerated the adoption of digital remote platforms, while lockdowns significantly restricted movement and large gatherings. All of this has probably permanently transformed the need for large physical locations and how they will be deployed in the future. We at Kingston Properties decided at the onset of the pandemic, even in advance of any reported covid-19 case in Jamaica, to focus on; (i) preserving cash and (ii) protecting the health of our staff, tenants, and indeed all our service providers¹. We are happy to report that there was no reported case of any of our stakeholders contracting the virus and hope for your continued safety.

Notwithstanding the myriad challenges of 2020, we remain moderately optimistic about the New Year given the speed at which the world's leading pharmaceutical companies and research scientists were able to develop vaccines. We anticipate that the dissemination of these vaccines across the globe will take time and further delay any meaningful economic recovery until between the second half of 2021 and first quarter of 2022. In the meantime, let us continue to observe the robust safety protocols (wearing masks in public, maintaining safe social distances, washing hands regularly, avoiding large crowded indoor events) issued by the health authorities.

The year for us was all about resilience. Resilience largely attributed to the diverse nature of our tenant base and asset classes in addition to the geographic diversity of our properties. We reported a **40%** improvement in rental revenue Year On Year (YOY) and greater efficiency from the deployment of the Group's cash resources demonstrated by Net Operating Income (NOI) and EBITDA increasing by **82%** and **67%** YOY respectively. All of the attributes of a REIT are in our DNA, so we focussed on our ability to generate cash from operations, resulting in an 82% year on year improvement in Funds From Operations (FFO).²

Key Highlights

- Maintained solid occupancy levels in excess of 90% throughout the year, as well as a similar level of collections during the period.

¹ <https://www.kpreit.com/news/message-from-the-ceo-of-kingston-properties-limited>

² <https://www.jamstockex.com/wp-content/uploads/2020/11/KPREIT-Unaudited-Fin-Statement-for-Qtr-Ended-September-30-2020.pdf>

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- Acquired a fully tenanted office building in Georgetown, Cayman Islands and arranged financing for that acquisition in the midst of that jurisdiction's lockdown.³
- Acquired an 88,000 SF value-add industrial property in close proximity to the ports in Kingston Jamaica⁴
- Repriced the bulk of our bank borrowings to rates from as low as 2% p.a. to just under 4% p.a.
- Reduced our Miami condo portfolio further allowing us to eliminate debt with our bankers in the US and increase our cash holdings for new property acquisitions or distribution to shareholders.
- In August 2020 made the single largest payment of dividends to shareholders on record, despite our growth and acquisition thrust.
- Outperformed the JSE Main Index, with KPREIT's stock price remaining above the 2019 close price - one of the few JSE listed stocks to have achieved this feat.

Summary and Outlook

While the recovery lag will continue into the second half of 2021, we are confident that global monetary policies will remain accommodative, which augurs well for the future stability of certain asset classes like real estate. The pandemic has created paradigm shifts in the way businesses operate and will continue to quicken the pace of advancements in digital and other remote interaction. We continue to believe that we can "future-proof" our operating model by focussing on warehousing and logistics assets, engaging in strategic partnerships that create force multipliers of value and the increased adoption of digital sales and marketing strategies to achieve our core objectives of reaching \$10B in equity and having 1,000,000 square feet of property under management or control by 2022.

To take advantage of more attractive assets that meet our risk-adjusted return threshold, we will be returning to the capital markets in 2021. We remain steadfast in our mission of constantly creating shareholder value and returning those gains to our shareholders through meaningful dividend payments.

As always, we are grateful for the astute guidance of our Board of Directors and for the continued support of our shareholders and key stakeholders and wish for you all a very healthy, safe and prosperous new year.



Kevin G. Richards
Chief Executive Officer

³ <https://www.jamstockex.com/wp-content/uploads/2020/07/Kingston-Properties-Limited-KPREIT-Harbour-Centre-Acquisition.pdf>

⁴ <https://www.jamstockex.com/wp-content/uploads/2020/10/News-Release-Kingston-Properties-Limited-KPREIT-Acquires-Third-Warehouse-Property-in-Jamaica.pdf>