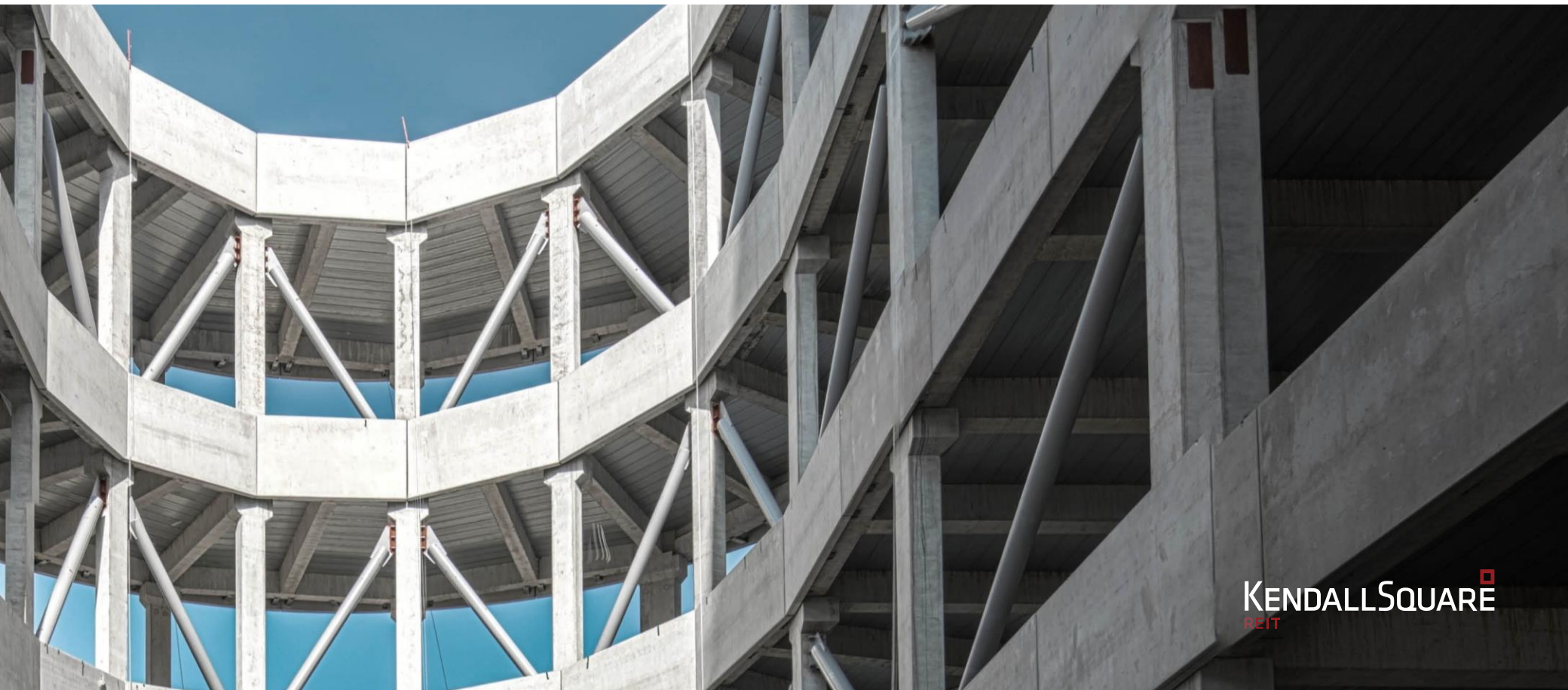


ESR Kendall Square REIT (365550 KS) Fiscal Period Ended May 31, 2021

AUG 2021



KENDALL SQUARE
REIT



SECTION 1

Investment Highlights

Highlights for May 2021 Fiscal Period

- ① Successful post-IPO operation of 10 portfolio assets
- ② First DPS payout in-line to original forecast
- ③ Continued robust acquisition pipeline
- ④ Stable LTV level with sufficient borrowing capacity
- ⑤ Steady progress on ESG program implementation and achievement



Highlights for May 2021 Fiscal Period

IPO Summary

- Dividend: KRW 134 (in-line to IPO prospectus)
- Listing Date: Dec. 23, 2020
- Issue Price: KRW 5,000 (closing price W6,610 as of end-May, 2021)
- Total Capital Raised: KRW 716bn (Including pre-IPO)
- Logistic Real Estate Asset Pure Play (for the first as a K-REIT)

Summary of 10 Portfolio Properties

Total Asset Size (AUM)⁽¹⁾

KRW **1,294**bn

Average Cap. Rate

4.94%

Average Property Age⁽¹⁾

3.7years

Average WALE⁽¹⁾

4.8years

1. Calculated as weighted average by GFA and based on completion dates of assets, as of May 2021



99.9%
Occupancy Rate⁽¹⁾



100%
Freehold Land Tenure



c.3.7 years
Average Property Age⁽²⁾



78.1%
E-commerce / 3rd-party
Logistics (“3PL”)
Tenants⁽³⁾



4.8 years
WALE⁽³⁾



Built-in
Rental Step-ups⁽⁴⁾



49.3%
Loan-to-Value⁽⁶⁾



1. Calculated based on weighted average by contracted GFA as of 31 May 2021, Total Asset Size is sum of nominal assets at ‘Subsidiary REIT 1’ and ‘REF 1-to-4’, respectively (internal).

2. Calculated as weighted average by GFA and based on completion dates of assets.

3. Based on contracted GFA as of May, 2021 (excluding committed asset drop of Anseong LP)

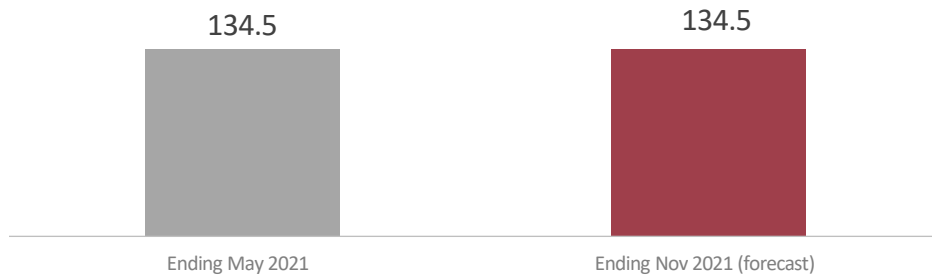
4. Many of the lease agreements for the properties contain monthly rental and monthly maintenance fee escalation provisions with an escalation rate of 3.0% every 2 yrs from the beginning of the lease terms, except for those agreements that have relatively shorter lease terms of one to three years. In addition, three of the leases pertaining to the properties have monthly rental fee escalations and/or monthly maintenance fee escalation ranging from approximately 1.0% to 2.0% per year.

5. Expected to increase to 52.1% upon end-Nov, 2021.

Further Enhancement of Unit Holder Value

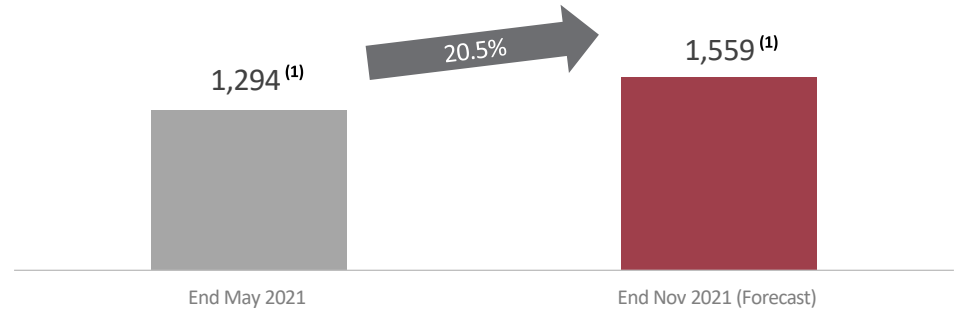
Stabilized Dividend Per Share (hypothetical)

KRW



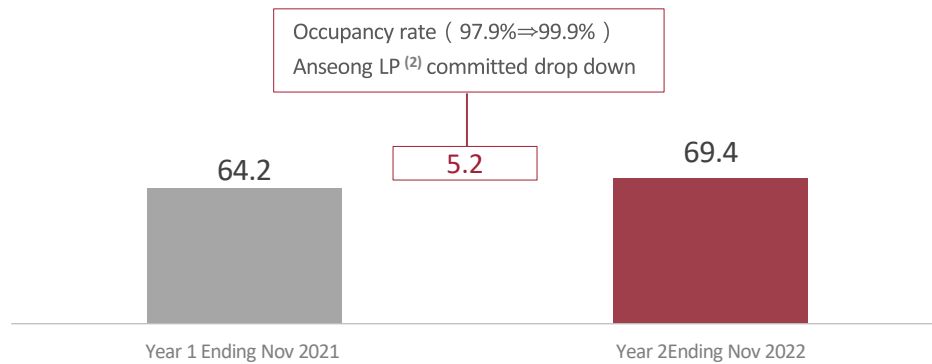
Asset size

KRW BN

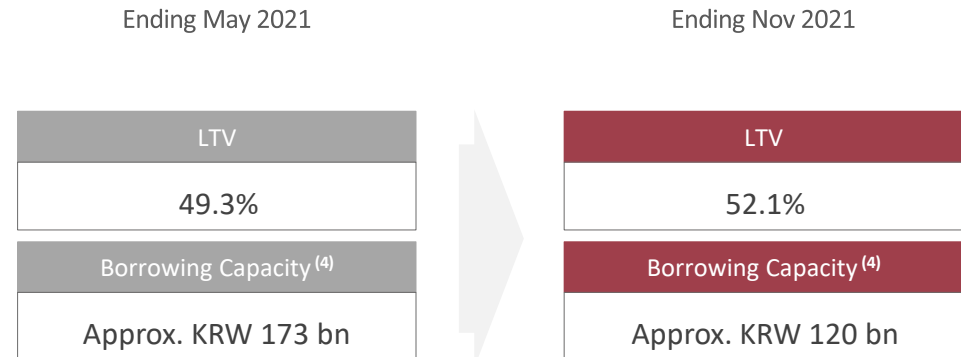


NOI

KRW BN



LTV ▪ Borrowing capacity



1. Sum of nominal assets at 'Subsidiary REIT 1' and 'REF 1-to-4', respectively (internal).

2. Anseong LP is expected to be acquired by the REIT on June 1, 2021. Hence, Y2021 revenue and NOI contribution by Anseong LP is for the period between June 1, 2021 to November 30, 2021

3. WALE stands for Weighted Average Lease Expiry. Calculated based on the lease contracts as of Nov. 30, 2020.

4. Borrowing capacity was calculated based on the difference between LTV limit of 66.7% and the asset size of 'Subsidiary REIT 1'.

Robust Acquisition Pipeline Drives External Growth

	Status	Region	Property name	Year built	Property type	Gfa (sqm)
Exclusive Negotiation Rights Granted (1)	Completed	Greater Busan	Gimhae II	Dec. 2019	Master Leased	39,941
		Suburban Market	Majang	Feb 2020	Multi-tenant	84,545
		Suburban Market	Wongok	Jun 2020	Master Leased	154,191
		Suburban Market	Sanha	Mar 2020	Multi-tenant	60,600
		Suburban Market	Mokcheon	Dec 2002	Master Leased	54,863
		Suburban Market	Osan	Oct 2012	Multi-tenant	200,549
		Infill Market	Gimpo	Jan 2020	Multi-tenant	137,017
		Infill Market	Ilsan	Dec 2017	Multi-tenant	44,580
		Infill Market	Bucheon 1	Apr 2018	Multi-tenant	305,052
Under Development or Planning	Completed	Suburban Market	Iljuk	Apr. 2021	Master Leased	63,471
	Under Development	Suburban Market	Namsa	Mar. 2021	Multi-tenant	54,096
		Infill Market	Opo	Mar. 2021	Multi-tenant	188,856
		Greater Busan	Changwon	Mar. 2021	Multi-tenant	113,168

1. Subject to market conditions and other factors, no existing commitment for direct injection.

ESG - Commitment to High Environmental Sustainability Standards

Case Study: Goyang LP, the LEED Gold Certified Warehouse in Korea



- 1 Water use reduction: faucets, urinals, dual-flush water closet, shower heads
- 2 LED lights for offices and warehouse space, Low-E coating windows, Energy recovery ventilation
- 3 Low-Emitting materials (Adhesives, sealants, paints, coatings), recycled material, regional material use
- 4 Thermal comfort design for the building occupant
- 5 Materials & Resources: Storage and collection of recyclables
- 6 Non-CFC, low impact refrigerant management
- 7 Water efficient landscaping
- 8 Alternative transportation: bicycle storage, car pool
- 9 Low-emitting and fuel-efficient vehicle parking zone / car pool zone

Track Record of Green Design Initiatives to Minimize Environmental Impact



US Green Building Council LEED Gold (2019)



Green Building Certification Grade 2



Building Energy Efficiency Grade 1

✓ Reduces Operating Costs

✓ Increases Indoor Air Quality

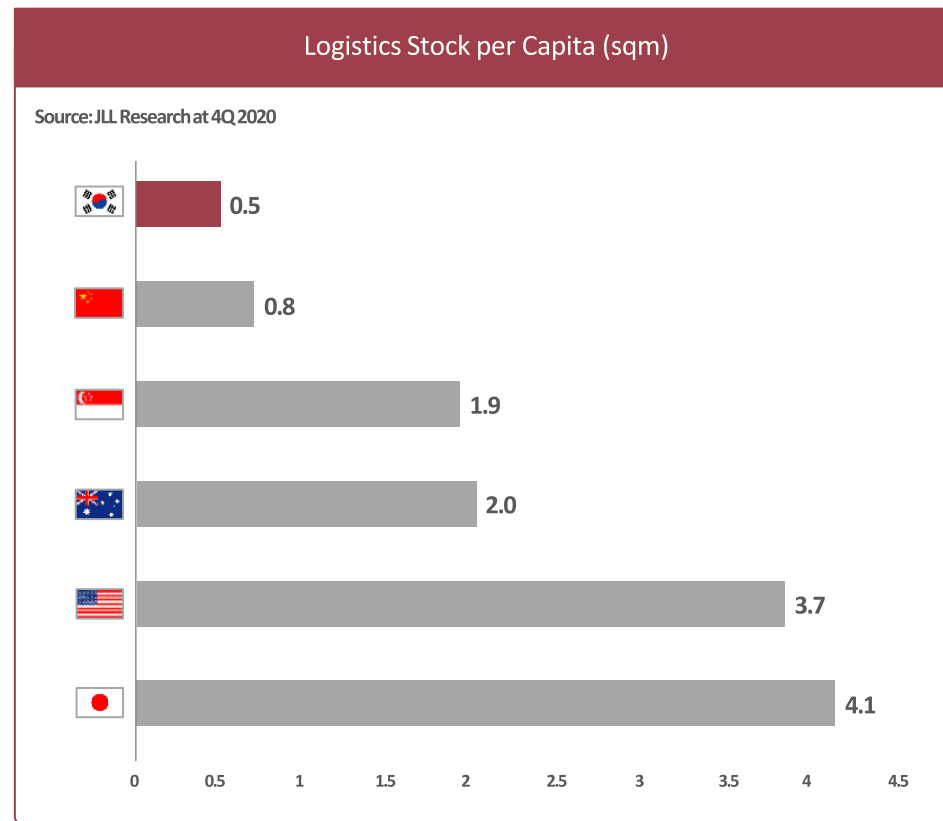
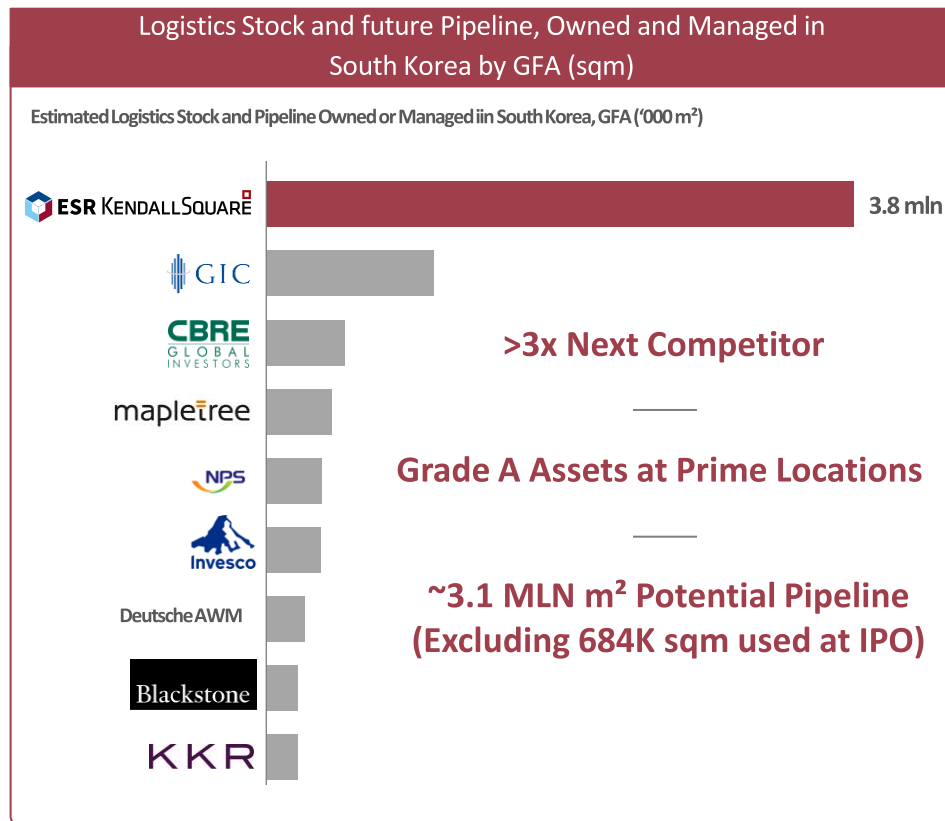
✓ Minimizes Vacancy Downtime



SECTION 2

Logistics Real Estate Market Overview

Market Overview



Korea Logistics Stock per Capita

- Compared to other nations, Korea's logistics stock per capita (0.5 sqm) is lower. Thus, we expect Korea's logistics stock per capital will continuously increase on the back of rapid growth of the e-commerce market and upcoming influx of new logistics centers.
- Meanwhile, the interest in the logistics investment market has increased significantly over the last five years. ESR Kendall Square mainly owns and internally manages its stock of over 3 million sqm (GFA) in total 27 logistics centers in Korea (ESR Kendall Square owns 15 centers and REIT owns 12 centers as of end-Jun, 2021).

Market Overview (2)

Greater Seoul Area

- Greater Seoul Area explains c.65% of total national logistics stock
- In the early-2010s, the trend of the logistics sector was 3PL companies developing and expanding scattered, small-size and owner-occupied centers
- Most recent trend is developing large-scale 'Grade A' logistics centers by institutional investors and renown global developers
- Strong growth of E-commerce has made them an anchor tenant, providing additional demand for new large logistics centers
- Existing users of old and smaller logistic facilities are considering and actively migrating to new Grade A assets
- GRADE A asset means, built after 2010 in a multi-stories building, and ramps or natural slopes that provides direct access to all floors. Scale wise, large-scale of 33,000 sqm (GFA) or bigger
- During 2016-2020, we assume <1.2 mil sqm of Grade A assets have been supplied in the market per annum
- For the next 2~3 years, we expect this to increase to 1.7 mil sqm per annum

Greater Busan Area

- Greater Busan Area consists of Busan, Kimhae, Changwon, and the province of Gyeongsangnam-do
- Greater Busan area accounts for c.16.3% of the total national stock by GFA (or 2 million sqm)
- The sub-market is the second largest logistics area in Korea, by being near to Busan port, global top 6 busiest port in the world, and also near the Kimhae International Airport
- GBA is also under the effect of higher e-commerce penetration and is enjoying the future supply pipelines of large-scale logistic stocks
- While the rapid growth of the e-commerce market is attracting global investors and logistics developers into the overall Korean logistics market
- We are seeing increased transparency in the market with new 'Grade A' being added in the area

Supply & Demand Trend

Supply

- By 2017, the number of existing logistics centers larger than 150,000 sqm was just three
- 2018~ Q1 2021, 7 new logistics centers were completed
- At least 9 more centers will be completed in the next 3 years
- Most of suitable lands in the West, the Central, and the South-East part of Seoul are already developed or under development
- While new developments will face head winds of shortage in suitable zoned lands, difficulty in obtaining permits, and local resistance from heavy traffic.

Demand

- Demand remains strong in the Grade A logistics segment, thanks to Korea's steady economic growth.
- E-commerce players such as Coupang, G-Market and 11th Street have emerged as anchor tenants for core logistics centers in Korea
- To streamline their supply chains, many companies are directly leasing warehouses to store merchandisers and manage inventory.
- Major local food companies and international consumer good manufacturers and local offline retailers maintain sizable presence within Grade A stock.

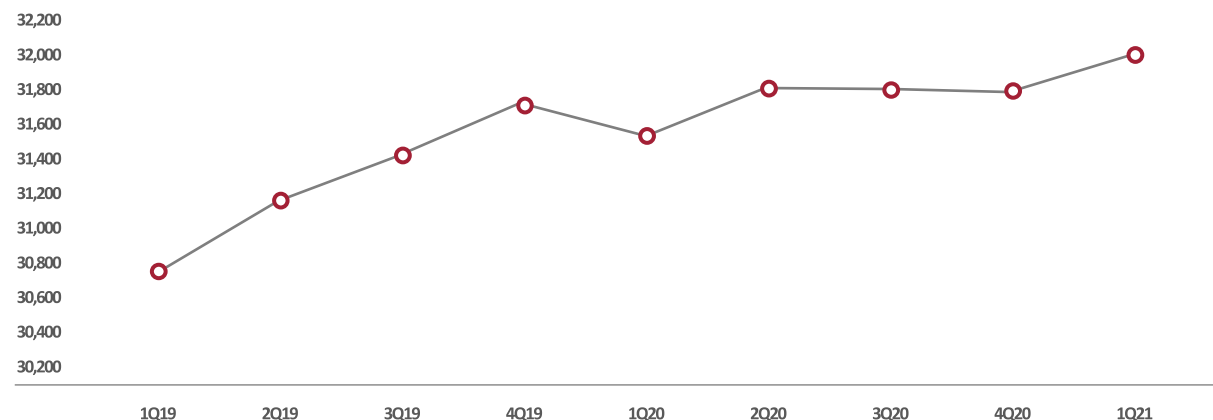
Rents Trend Overview

Trend

- Proximity to central Seoul is the key driver of rents, along with the specification and quality of the asset
- Connectivity to major infrastructures such as ports, airports, and expressways, and availability of local labor are also key considerations.
- Traditionally, rent level was the key consideration for tenants
- However, tenants now put heavier emphasis on the location, spec and facilities of centers .
- 3PL and e-commerce tenants require large-scale modernized logistics centers near Seoul with accessibility to all floors, which includes higher rents.
- Overall rents in Greater Seoul Area have increased over the past five years at an average of c.2.2% per annum, outperforming Seoul Grade A office rents over the same period. Logistic rents increased due to an onset of quality supply in core locations, also contributed by the solid demand from E-commerce and 3PL players.

Grade A Stock & Rents

Estimated SCA Grade A Overall Net Rents (KRW/py/mth)



Estimated Net Rents of Grade A in SCA

Sub-market	Estimated Grade A Effective Rents (KRW/py/mth)
Overall	32,100
Central	33,500
North	38,200
South	27,700
South-east	27,200
West	38,900

Rents

- Rents in Greater Seoul Area are higher than the average rents of national logistics centers due to their proximity to Seoul
- Meanwhile, rents for comparably older logistics centers with inferior characteristics (i.e., limited docking, outdated safety systems, accessible to different floors via elevators only) are under downward pressure.

GRADE A

- We expect rents 'Grade A' logistics centers to increase net 1% annually for the medium term for our base case.
- Demand driver includes further expansion of e-commerce and 3PL companies, while hypermarkets going online provides further upside risk.
- Future supply for 'Grade A' will be affected by limited amount of quality infill development sites available near Seoul, along with the tightening in development approvals.



Bucheon Cold Logistics

SECTION 3

Appendix

Summary of end-May 2021 Fiscal Period Financials

Asset		Equity		Debt	
• Portfolio Size ⁽¹⁾	KRW 1294bn	• Market Cap	KRW 947 bn	• Total Debt Balance ⁽¹⁾	KRW 638 bn
• Unrealized Gain ⁽²⁾ (Ratio 22.4%)	KRW 291 bn	• DPU		• Total LTV (REF 1-to-4 LTV 50.5%)	49.2%
• Forecast NOI yield ⁽³⁾	4.94%	3rd FP Result	KRW 134.4	• Borrowing Capacity approx.	KRW 173 bn
• 3 rd FY Actual NOI Yield ⁽⁴⁾	5.3%	4th FP Forecast	KRW 134.4	• Maturity of Long-Term Debt	
• Occupancy Rate As of the end of Fiscal Period	99.9%	5th FP Forecast	KRW 142.5	3yr (2.22%, 14 Dec 2023):	KRW 255 bn
		• NAV per share	KRW 4,582	5yr (2.5%, 14 Dec 2025):	KRW 195 bn

1. Aggregated of Assets & Debt at 'Subsidiary REIT 1' and 'REF 1-to-4', respectively (internal)

2. Difference between the market capitalization & NAV of 'ESR Kendall Square REIT (365550 KS)' as of 31 May 2021.

3. Forecast NOI upon Dec 2020 IPO and specified in offering circular

4. Annualized actual NOI of 3rd FY excluding specific factors divided by total acquisition price of assets & REF 1-to-4.

Fiscal Period Ended May 31, 2021 –Balance Sheet

krw 100mn	Forecast Period Y2021 (1 Dec, 2020 to 30 Nov, 2021)	Half Year Forecast (ex-Anseong & ex-IPO impact)	Actual
Gross Revenue	703	261	237
Property Operating Expenses	62	23	12
NOI	642	238	225
Mgt Base Fee	69	26	48
Mgt Perf Fee	0	0	0
Trustee Fee	3	1	1
Other Expenses	18	7	14
Advisory Fees	60	22	34
Interest Expense	160	59	61
Depreciation	178	66	59
NP before Tax	126	47	54
Tax Expenses	0	0	0
NP after Tax	126	47	54
Distribution Adjustments	259	96	138
Disributable Income	385	143	192

Delta Analysis

- Full year forecast upon IPO includes half year impact of Anseong LP committed drop down (1 June 2021), which should be fully excluded for this period
- Also IPO took place end of Dec 2020, while fiscal year projection was based on 1 Dec figures, thus should be adjusted reflecting c.83% (or 5/6) during end-Dec 2020 to end-May 2021
- Comparing to fully adjusted figures, top-line was inline to forecasts, while NP was better on cost savings and lower expenses. DPS was kept as IPO guidance at KRW 134 per share.

Detailed Asset Overview

Area	#	Name	GFA (m ²)	Completion Date	Occupancy Rate	Appraisal Value ⁽¹⁾ (KRW BN)	Purchase Price ⁽²⁾ (KRW BN)	Revenue (KRW BN)		NOI (KRW BN)	
								Y2021 ⁽³⁾	Y2022 ⁽³⁾	Y2021 ⁽³⁾	Y2022 ⁽³⁾
Infill Market	1	Bucheon Cold LP	58,264	Jul. 2019	100.0%	199.0	197.0	10.4	10.8	9.3	9.7
	2	Goyang LP 1	199,678	Jan. 2019	100.0%	478.7	478.0	24.6	25.1	23.3	23.8
Suburban Market	3	Yongin LP 1	70,028	Nov. 2017	100.0%	129.4	129.0	6.9	7.0	6.2	6.3
	4	Yongin LP 2	43,176	Jan. 2017	100.0%	77.5	76.1	4.3	3.9	3.8	3.4
	5	Icheon LP 1	47,653	Feb. 2017	100.0%	66.6	65.2	3.7	3.6	3.3	3.1
	6	Icheon LP 2	33,365	Apr. 2018	98.8%	50.0	49.0	3.0	3.1	2.6	2.7
	7	Icheon LP 3	18,421	Dec. 2018	100.0%	28.7	28.5	1.6	1.8	1.3	1.5
	8	Icheon LP 4	49,616	Jun. 2018	100.0%	81.6	80.7	4.4	4.4	4.2	4.2
	9	Pyeongtaek LP	43,212	Jul. 2013	82.6%	84.7	83.8	4.3	4.6	3.7	4.0
Greater Busan	10	Gimhae LP 1	25,733	Dec. 2000	100.0%	47.0	46.0	2.7	2.7	2.3	2.4
Total			589,146		99.9%	1,243.2	1,233.3	65.9	67	60	61.1

Source: Company Data, Appraisal Report from Pacific Appraisal Co., Ltd. (October 2020), KPMG Financial Projections and Analysis Report

Notes:

(1) Appraisal value of each asset is on a 100% equity interest in the REF that owns the relevant property

(2) Based on the pro rata amount of the total purchase price; all purchase prices are calculated based on a 100% equity interest basis except Icheon LP 1 (98.84%), Icheon LP 4 (99.06%), Yongin LP 2 (98.84%) and Pyeongtaek LP (99.13%)

(3) Y2021 refers to the period between December 1, 2020 to November 30, 2021 while Y2022 refers to the period between December 1, 2021 to November 30, 2022. Anseong LP is expected to be acquired by the REIT on June 1, 2021