



PACIFIC OAK

STRATEGIC OPPORTUNITY REIT, INC.

April 5, 2024

Re: Pacific Oak Strategic Opportunity REIT, Inc. Update Letter

Dear Pacific Oak Strategic Opportunity REIT Stockholder,

As we have recently closed the first quarter of 2024, we'd like to provide you with an update regarding the commercial real estate markets and Pacific Oak Strategic Opportunity REIT ("we," or the "REIT"). The dynamics of commercial real estate are constantly shifting, and as you may be aware, there have been significant headwinds that the REIT has had to navigate. Over the years we have strategically navigated the complexities of the markets and shifted real estate sectors based on market conditions. For example, since 2019 the REIT has focused more on investments in single family residential, land and development while reducing exposure to office.

The most significant current issue facing the REIT, and commercial real estate generally, has been the substantial increase in interest rates. The rise in interest rates has made it more difficult and expensive for purchasers of real estate, hence also more difficult for sellers. For reference purposes, the ten-year treasury rate was approximately 1.5% at the beginning of 2022. The current ten-year treasury rate is *almost three times as high* at approximately 4.3%. This increase in rates has resulted in elevated borrowing costs to finance purchases. These higher borrowing costs result directly in reduced cash flow to the purchaser. This reduced cash flow then drives down the price of real estate. While interest rates have decreased somewhat from recent highs, the prolonged elevated levels have resulted in a lower volume of transaction activity and at reduced prices. Current Fed rate policy is the market's biggest challenge and one that is exceptionally difficult to manage. The Fed will execute its plans with little regard for the negative impact on real estate.

The REIT continues to explore strategies to optimize occupancy, reposition, or otherwise add value to its portfolio of office assets. The office market has faced challenges for several reasons. There is generally an oversupply of office space as many companies are still allowing employees to work remotely full time or at least part time. Furthermore, and dependent upon location, many office markets are feeling pressure due to economic troubles in downtown areas. One of the most mismanaged of these markets is the San Francisco Bay Area, whose policies have resulted in one of the most negatively impacted areas for office. Consequently, assets such as 353 Sacramento Street in San Francisco and Oakland City Center in Oakland have particularly struggled. Based on these difficulties, the per share net asset value of the REIT was revalued from \$10.50 to \$8.03 in December 2023.¹

As the REIT has faced challenges, there have also been opportunities. One of the significant bright spots is 110 William Street in New York. 110 William is a 928,000 square foot office building in the heart of Manhattan which was recently brought to 100% leased with the signing of a 640,000-sf lease with the City of New York for 20

years. We are in the process of completing tenant improvements and expecting the tenant to start moving in later this year.

Another positive for the REIT is its investment in Pacific Oak Residential Trust, a portfolio of more than 2,000 single family rental homes. This investment has been performing very well, with occupancy at 93% and significant capital appreciation.¹ The strong housing market has also had a positive impact on the value of the REIT's land in North Las Vegas and the REIT has entered into an agreement to sell its remaining 450 acres for single family home development.²

With respect to liquidity goals, we continue to monitor market conditions for improvements that could offer opportunities for liquidity.³ We remain focused on strengthening liquidity through opportunistic property sales and other transactions, and managing the portfolio to add value and maximize total returns.³ We appreciate your confidence and look forward to providing updates as the interest rate environment recovers and the portfolio evolves.

Sincerely,

Keith Hall

Keith Hall
Chief Executive Officer
Pacific Oak Strategic Opportunity REIT, Inc.

¹For more information, see the REIT's Current Report on Form 8-K filed with the SEC on December 6, 2023 and Annual Report on Form 10-K filed with the SEC on April 1, 2024. Past performance is not indicative of future results.

²For more information, see the REIT's Current Report on Form 8-K filed with the SEC on March 10, 2024.

³There is no guaranty that the REIT's objectives will be met. For more information, see the REIT's Annual Report on Form 10-K filed with the SEC on April 1, 2024.

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. Further, forward-looking statements speak only as of the date they are made, and 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. Actual results may differ materially from those contemplated by such forward-looking statements.

This is neither an offer to sell nor a solicitation of an offer to buy shares of Pacific Oak Strategic Opportunity REIT; the primary offering for Pacific Oak Strategic Opportunity REIT closed effective November 20, 2012. The Company continues to offer shares of its common stock under its dividend reinvestment plan. Offering is only made by prospectus (<http://www.sorininfo.com/>). Neither the Attorney General of the State of New York nor any other state regulators have passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful.

Investing in Pacific Oak Strategic Opportunity REIT includes significant risks. These risks include, but are not limited to: the possibility of losing your entire investment; no guarantees regarding future performance; upon sale or distribution of assets you may receive less than your initial investment; fluctuation of the value of the assets owned by Pacific Oak Strategic Opportunity REIT; lack of a public market for shares of Pacific Oak Strategic Opportunity REIT; limited liquidity; limited transferability; reliance on Pacific Oak Capital Advisors LLC, the REIT's advisor, to select, manage and dispose of assets; payment of significant fees; and various economic factors that may include changes in interest rates, laws, operating expenses, insurance costs and tenant turnover. Shares of Pacific Oak Strategic Opportunity REIT are not suitable for all investors.