



Nontraded REIT Industry Review: First Quarter 2014

KBS Strategic Opportunity REIT, Inc.

Total Assets.....	\$988.9 Million
Real Estate Assets	\$893.2 Million
Cash	\$54.8 Million
Securities	\$0.0 Million
Other	\$40.9 Million



Initial Offering Date: November 20, 2009
 Offering Close Date: November 14, 2012
 Current Price per Share: \$11.27
 Reinvestment Price per Share: \$10.71
 Cumulative Capital Raised during Offering (including DRP)..... \$574.4 Million

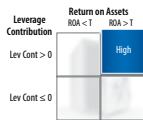
Cash to Total Assets Ratio: 5.5%
 Asset Type: Diversified
 Number of Properties:..... 13 Office; 1 Office Campus; 2 Office Portfolios; 1 Retail; 2 Apartments, Land; 1 CMBS; 1 Note; 2 U/C JVs
 Square Feet / Units / Rooms / Acres: 4.6 Million Sq. Ft. & 383 Units
 Percent Leased: 75.0%
 Weighted Average Lease Term Remaining:..... 3.8 Years
 LifeStage:..... Maturing
 Investment Style: Opportunistic
 Weighted Average Shares Outstanding: 59,593,935

Historical Price



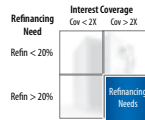
Performance Profiles

Operating Performance



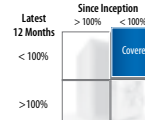
The REIT's recent 12-month average return on assets exceeds yields on 10-year Treasuries, indicating potential for positive risk-adjusted returns. At its current cost of debt and level of borrowing, its use of debt is contributing to increased returns for shareholders.

Financing Outlook



Interest coverage ratio is above the 2.0X benchmark but more than 20% of the REIT's debt matures within two years or is at unhedged variable rates. The REIT may face difficulties in refinancing its borrowings or interest rate risk from increasing rates, but earnings currently provide coverage of interest expense.

Cumulative MFFO Payout



Cumulative MFFO since inception exceeds the cumulative cash distributions to common shareholders, indicating the REIT has fully funded cash distributions from its real estate operations. At the current distribution rate and level of modified funds from operations, trends suggest the distributions can be maintained.

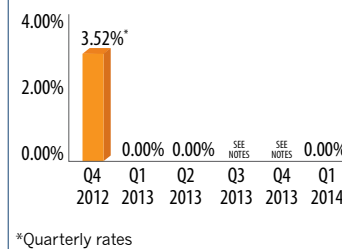
Summary

The REIT's return on assets for the last four quarters was 3.972%, well above the yield on 10-Year Treasuries of 1.87%, providing an additional return to shareholders. It also had a small positive leverage contribution with its average cost of debt of 3.07% and 48.1% debt ratio. About 7.5% of the REIT's debt matures within two years but 86% is at unhedged variable rates, indicating little immediate refinancing need but significant interest rate risk. Its interest coverage ratio for the last four quarters was above the 2.0X benchmark, providing some assurance that debt financing is obtainable. Since inception the REIT has paid out only 52% of MFFO in cash distributions excluding DRP, and this rate was a low 30% for the last four quarters, a very sustainable payout ratio.

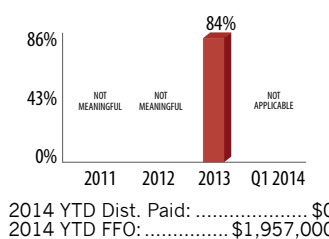
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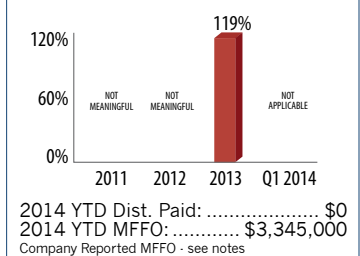
Historical Distribution



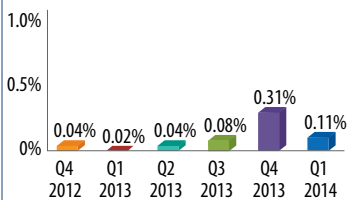
Historical FFO Payout Ratio



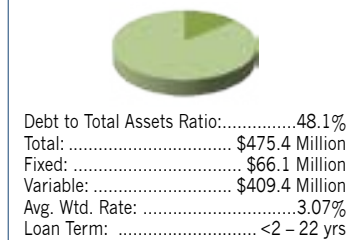
Historical MFFO Payout Ratio



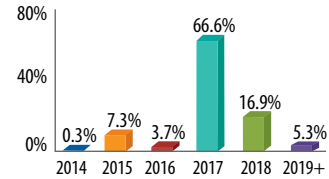
Redemptions



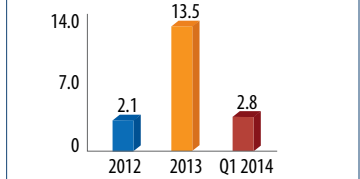
Debt Breakdown



Debt Repayment Schedule



Interest Coverage Ratio



Source of Distributions, Trends and Items of Note

- During 1Q 2014 the Company acquired two properties for \$222.2 million. The Company did not dispose of any real properties and no properties were classified as held for sale as of March 31, 2014.
- On May 2, 2014, the 110 William Joint Venture acquired 110 William Street from an unaffiliated third party, for \$261.1 million. The Company owns a 60% equity interest in the 110 William Joint Venture. 110 William Street was built in stages in 1918 and 1959 and renovated in 2006. At acquisition, 110 William Street was 97% leased to 33 tenants.
- The REIT's Cash to Total Assets ratio decreased to 5.5% as of 1Q 2014 compared to 13.0% as of 1Q 2013.
- The REIT's Debt to Total Assets ratio increased to 48.1% as of 1Q 2014 compared to 12.6% as of 1Q 2013.
- On May 8, 2014, the Company's board of directors authorized a distribution in the amount of \$0.056096 per share of common stock to stockholders of record as of the close of business on June 16, 2014.
- Because the Company does not pay cash distributions, the FFO and MFFO payout ratios are not applicable. The Company uses modified funds from operations ("MFFO") as defined by the Investment Program Association ("IPA").
- While the Company did not pay cash distributions in 1Q 2014, cash flows from operations were negative \$2.931 million. Distributions declared and paid April 15, 2014 totaled \$2.937 million.