ELITE UK REIT

Edited Q&A from Elite UK REIT 3Q 2024 analyst briefing on 5 November 2024

1. **What is the current valuation of vacant assets in your portfolio? Is there any particular asset that is of note?**

We currently have five vacant assets with a valuation of around £6.5 million as at 30 June 2024. Linday House in Dundee stands out as being well placed for student accommodation.

2. **Was the divestment of Sidlaw House at 42% premium due to the economic situation in Dundee?**

The location was attractive on a long-term basis to a potential developer. After marketing it, we received an offer at the half-year point which has formed the basis of the half-year valuation. And then another bidder offered which pushed the price up. So that's how the price moved ahead of the mid-year valuation.

3. **Do you have a few other assets currently in negotiation for sale. Can you give some colour in terms of where the sales are and how quickly we can expect these earners to be sold?**

We are currently marketing a few properties. We are evaluating some offers and would provide the market with an update when any sale is confirmed, which could take at least a couple of months.

4. **On Peel Park data centre, what's exactly the timeline and are you planning to sell this to a hyperscaler? Are you planning to operate it? And any estimates in terms of what's the cost that would be involved and how you're going to tackle this?**

On Peel Park, we have submitted a planning application, and we might get an update by year end based on planning timelines. If we decide to sell, we can then use the proceeds to pare down our debt. If we do not sell, there would be capex required and as a REIT we do have a 10% development cap. We expect more updates on Peel Park in the next few months and into the new year.

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5. Is your growth strategy currently around your existing assets, or does your sponsor also have a couple of student accommodation assets that you are potentially looking to acquire? And if you are planning to acquire, how would you do that with your current financial situation?

Given where we are trading at and our current cost of capital, if we were to acquire either from a sponsor or from third parties, it is likely that these deals would be dilutive. For the time being, what we can do to bring forward this strategy is really to develop from within our current existing portfolio which presents a much more attractive proposition to our unitholders. This would be the most sensible strategy.

6. Can you perhaps also give us a timeline of the PBSA?

Expanding our investment mandate beyond social infrastructure and government workspaces gives us more flexibility now than before. But we are careful. Even though we're saying that student housing and built-to-rent are sectors that we are moving to, we want to do a good deal for unitholders, and that's why we're spending a bit more time on due diligence in some of these different risk aspects of the projects.

7. What's the plan and timeline for Ladywell in Edinburgh?

Currently, we see potential for conversion of that property into residential. We're just going through a pre-application planning process with the local authority and will make appropriate announcements should there be material developments relating to any property divestment. The process for Ladywell could take at least a few months.

8. On the cost of debt next year, can we expect it to remain relatively steady at 5%?

The 5% cost of debt is a credit margin spread plus an underlying interest rate swap. Currently, about 87% is hedged out and there is the element that is the revolving credit facility that we do not hedge so as to have the flexibility of optimising our cash position or capital position. There is also a seasonality factor: Debt would increase in March and September when we pay dividends and decreased in June and December when we don't declare distributions, which will impact the % hedged component. The on-average % is expected to be between 83% to 87%.

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9. Well done on getting the refinancing sorted out. Besides seasonality, are there any other reasons for the debt going up a little in September?

In September, there were some one-off fees and financing expenses related to refinancing, which was then funded through the debt itself. So that also caused a little bit of movement, but from December we expect that to trend down as it is not a distribution-paying quarter.

10. On Billingham's rent reversion, was that a 2028 maturity that was extended?

We have been negotiating on Billingham for several months, and we are glad to have had the rent review just settled. The rent review date was the same as with the other properties in the portfolio, the 1st April 2023, and the expiry date is the same in being the 31st March 2028.

The difference between Billingham and most of the rest of the portfolio is that instead of having rent review mechanism that was linked to CPI, the rent review mechanism for Billingham was an open market rent review. So Billingham's rent has been adjusted to the market level and will be backdated to the rent review date.

The rent reversion of the whole market review emphasises that the entire portfolio that we have is under rented, so I think there is some upside there where we sort of renew some of our leases in 2028 and beyond.

11. Could there be an increase in payout ratio, or would the best use of cash still be paring down debt?

We are listening to the feedback from our unitholders and watching the payout ratio very closely. A lot of our risks have been sorted out. If year-end valuation is stable, the prospect for a higher payout ratio will improve, and something that we would be keen to support.