



ELITE COMMERCIAL REIT'S PRIMARY TENANT UK GOVERNMENT'S DWP IN EXPANSION MODE

SINGAPORE, 23 September 2020 – Elite Commercial REIT Management Pte. Ltd., the manager (the “**Manager**”) of Elite Commercial REIT (the “**REIT**”), wishes to provide an update on its primary tenant, the United Kingdom (“**UK**”) Government’s Department Of Work And Pensions (“**DWP**”)’s operations and activities, in light of recent developments in the UK.

The Manager wishes to assure its investors that its portfolio of properties is facing an increase in demand for its office space, which is a counter-cyclical trend to the rest of the market. The REIT’s primary tenant, the DWP, is actively hiring more staff to work in the REIT’s portfolio, as part of its drive to double the number of Work Coaches countrywide to 27,000.¹ This is due to increased services being provided from the properties by the UK Government to support the economy in times of economic need. The Manager is providing this as a response to the recent news reports of a decrease in demand for CBD office space as employees are required or wish to work from home, due to the COVID-19 pandemic.

Separately, the Manager does not expect a significant business disruption at the properties in the REIT’s portfolio even as the UK Government imposes new restrictions to curb COVID-19 this week. During the previous lockdown in the UK, the REIT’s Jobcentre Plus locations had remained open to process and disburse benefits to claimants, even as medical assessments, interviews or other face-to-face appointments were discouraged.

Oversea-Chinese Banking Corporation Limited (“**OCBC**”) and UBS AG, Singapore Branch (“**UBS**”) are the joint issue managers for the Offering. OCBC, UBS, CGS-CIMB Securities (Singapore) Pte. Ltd. and China International Capital Corporation (Singapore) Pte. Limited are the joint bookrunners and underwriters for the Offering (collectively, the “**Joint Bookrunners**”).

¹ <https://www.gov.uk/government/news/thousands-of-new-work-coach-vacancies-open-across-the-uk>

Ms Shaldine Wang, Chief Executive Officer of the Manager said, “The REIT’s primary tenant DWP plays a crucial role in the social infrastructure serving the UK’s local communities. The utilisation of the REIT’s assets, JobCentre Plus’ footfall and DWP benefit spending are all inversely correlated to the UK economy and employment rates. As such, despite the macroeconomic uncertainty and dynamic environment resulting from COVID-19, we remain positive about Elite Commercial REIT’s current focus on commercial assets with the ability to generate cashflow backed by UK sovereign credit².”

“We are confident of the continued demand for the REIT’s assets and its ability to provide attractive and recession-proof cashflows and ultimately continue to deliver stable and growing returns to our unitholders.”

Update on the Department of Work and Pensions and its operations/ activities

The DWP is the primary occupier of the REIT’s portfolio and the UK Government’s largest public service department. The DWP is responsible for the UK’s welfare, employment, pensions and child maintenance policy, and currently serves over 20 million claimants. 82% of the REIT’s assets are the social infrastructure facilities used to provide the DWP’s key front-of-house services, primarily through JobCentre Plus unemployment centres.

The UK Government currently employs 13,000 “Work Coaches” at JobCentre Plus offering vital retraining skills to people looking for opportunities to start a new career. The DWP plans to have 4,500 more work coaches in place by October 2020 and a further 9,000 by March 2021. As one of the priorities of the Government is to help jobseekers get back to work to build a more resilient economy, the deployment of new work coaches in communities across the UK is crucial to this recovery.

While some DWP activities can be conducted virtually, JobCentres Plus remain open for customers to meet safely with their work coaches face-to-face whenever necessary.

As the DWP increases the number of work coaches employed, there is also an increased need for floor space, for the work to be carried out. The existing space occupied by the DWP will not be sufficient for the higher number of job training and coaching sessions that are to be conducted. This increased utilisation has been demonstrated through the waivers or extension

²The UK Government is rated AA and Aa2 by S&P and Moody’s respectively

of break options for two properties within the REIT's portfolio – Lodge House, Bristol and John Street, Sunderland.

According to the UK's Office of National Statistics, unemployment rate had risen to near two-year highs at 4.1% for the three months from May to July 2020³, as almost 750,000 jobs were lost since March 2020. There was a reported increase in people claiming for unemployment benefits in the UK by around 120.8% since March to 2.7 million in August 2020. It is estimated that official data from the Office of National Statistics may not present the true extent of job losses in the UK as the numbers did not include those who have yet to return to work from furlough and as such are not classified as unemployed yet. This further anchors the need for more work coaches and increased space required for the DWP's operations.

With the Bank of England forecasting that unemployment will almost double to 7.5% (and spike at 2.5 million by the end of 2020), and revising its full-year 2020 GDP forecast to -9.5% from a prior prediction of -14%, it follows that there would be a prolonged state of proportional increase in claimant counts, job centre footfall and hence DWP benefit spending.

Elite Commercial REIT's strategy and focus

Against the current backdrop of macroeconomic fallout and increase in unemployment brought about by the outbreak of COVID-19, Elite Commercial REIT's assets via the DWP continue to be a crucial social infrastructure that serves the UK community.

For the most recent reporting period (6 February 2020 ("**Listing Date**") to 30 June 2020 ("**Reporting Period**")), it was reported that the REIT had received in advance 99.8% of the three-months rent for the period spanning across the months of July to September 2020, within 7 days of the due date in June 2020. This represents a stable cash flow which is closely related to the REIT's focused strategy of having assets which are primarily occupied by a uniquely counter-cyclical tenant.

The Manager had earlier announced that its financial results for the Reporting Period have outperformed its IPO forecast with a higher distributable income of £6.5 million for the Reporting Period, outpacing its forecast by 1.3%. The REIT recorded a DPU of 1.95 pence, which was 1.0% higher than the forecasted DPU of 1.93 pence.

³ <https://www.ons.gov.uk/>

Positioning for Future Growth

Moving forward, the REIT Manager remains focused on strengthening the performance of the REIT's portfolio. In line with the investment mandate for the REIT, the Manager will continue to closely monitor and assess the market, proactively looking at opportunities for growth via yield-accretive asset acquisitions to enhance returns to Unitholders and improve prospects for future income and capital growth.

In particular, the Manager has been granted a right of first refusal ("ROFR") by one of its sponsors, Elite Partners Capital ("EPC"), to acquire properties it owns in the UK, most of which have been leased long-term by various ministries of the UK Government. EPC as a sponsor, is committed to the UK commercial property market, which provides a continuous ROFR pipeline to the REIT. The REIT can then explore these opportunities when capital support is available for such yield-accretive acquisitions.

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About Elite Commercial REIT

Elite Commercial REIT is a Singapore real estate investment trust established with the investment strategy of principally investing, directly or indirectly, in commercial assets and real estate-related assets in the United Kingdom (“**UK**”). Listed on Singapore Exchange Securities Trading Limited (SGX-ST) on 6 February 2020, Elite Commercial REIT is the first and only UK-focused listed REIT in Singapore.

Elite Commercial REIT’s portfolio (“**Portfolio**”) comprises 97 predominantly freehold⁴ quality commercial buildings located across the UK, with a total net internal area of approximately 2.6 million square feet and a total site area of approximately 47 hectares. The Portfolio is valued at approximately GBP 319.1 million as at 31 August 2019⁵.

The Portfolio offers a stable cash flow with over 99.0% of the gross rental income derived from the AA-rated UK Government and a long weighted average lease expiry of 7.8 years⁶. The full repairing and insuring (triple net) leases⁷ with the UK Government include rental escalations that is linked to the UK Consumer Price Index. The Portfolio is primarily occupied by the Department for Work and Pensions (“**DWP**”), the UK’s largest public service department that is responsible for welfare, pensions and child maintenance for over 20 million claimants. DWP is a uniquely counter-cyclical occupier and the Portfolio is crucial public infrastructure for the provision of DWP services.

Elite Commercial REIT’s key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in distribution and net asset value per unit, while maintaining an appropriate capital structure through disciplined execution of its key strategies.

Elite Commercial REIT is managed by Elite Commercial REIT Management Pte. Ltd., which is owned by Elite Partners Holdings Pte. Ltd. (68.0%), Sunway RE Capital Pte. Ltd. (15.0%) and Jin Leng Investments Pte Ltd (17.0%).

⁴ Of the 97 properties, 96 properties are freehold properties and one property is on a long leasehold tenure expiring on 19 May 2255.

⁵ Based on the valuation report prepared by Colliers International Valuation UK LLP.

⁶ As at 30 June 2020.

⁷ Under a full repairing and insuring (triple net) lease, the responsibility for the repair of the external, internal and structural format of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability and will not be required to bear the costs of material repairs to the Properties, if any.

IMPORTANT NOTICE

This announcement is for information only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for units in Elite Commercial REIT ("Units") in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by Elite Commercial REIT, the Manager or any of their respective affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. The Unitholders have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.