

## ELITE COMMERCIAL REIT OUTPERFORMS

### IPO PROJECTIONS FOR EIGHT CONSECUTIVE QUARTERS; FY 2021 DPU OF 5.43 PENCE JUMPED 22.3% YEAR-ON-YEAR<sup>1</sup>

- *FY 2021 DPU of 5.43 pence, up 22.3% year-on-year<sup>1</sup> and 11.3% over IPO Projection<sup>2</sup>, lifted by contributions from maiden acquisition and enhanced tax efficiencies from TISE listing*
- *Portfolio maintains 100% occupancy with 99.9% of quarterly rent collected in advance and within seven days of the due date*
- *A new five-year lease for East Street, Epsom, with about 11% in rental uplift*

#### Summary of Financial Results

	2H 2021	2H 2020		FY 2021	FY 2020 <sup>1</sup>		FY 2021	
	Actual	Actual	Variance	Actual	Actual	Variance	Projection <sup>2</sup>	Variance
	£'000	£'000	%	£'000	£'000	%	£'000	%
Revenue	18,835	11,647	61.7	34,731	20,963	65.7	23,274	49.2
Amount available for distribution to Unitholders	13,364	8,342	60.2	24,525	14,843	65.2	16,416	49.4
Distribution per unit ("DPU") – pence	2.80	2.49	12.4	5.43	4.44	22.3	4.88	11.3

**SINGAPORE, 21 February 2022** – Elite Commercial REIT Management Pte. Ltd., the manager (the “**Manager**”) of Elite Commercial REIT (the “**REIT**”), today announced earnings for the half year and full year ended 31 December 2021 (“**2H 2021**” and “**FY 2021**” respectively), where the REIT reported an actual revenue of £18.8 million and recorded distributable income to Unitholders of £13.4 million for 2H 2021, surpassing the prior corresponding period by 61.7% and 60.2% respectively. The strong performance was largely driven by the contributions from the maiden acquisition and a reduced headline tax rate, following the REIT’s successful admission on The International Stock Exchange (“**TISE**”), which qualifies the REIT’s UK entities as a UK REIT group. This translates to a 2H 2021 distribution per unit (“**DPU**”) of 2.80 pence, 12.4% higher than the prior corresponding period.

In FY 2021, Elite Commercial REIT generated actual revenue of £34.7 million, surging 65.7% compared to FY 2020. Distributable income to Unitholders was £24.5 million, surpassing

<sup>1</sup> FY 2020 refers to the financial year from listing date of 6 February 2020 to 31 December 2020.

<sup>2</sup> IPO Projection for FY 2021 refers to the profit projection for the period from 1 January 2021 to 31 December 2021.

FY 2020 by 65.2%. FY 2021 DPU of 5.43 pence is 22.3% higher than FY 2020, which translates to a distribution yield of 8.2%<sup>3</sup>.

The REIT continues to outperform its IPO projections for the eighth consecutive quarter, beating revenue and distributable income projections by 49.2% and 49.4% respectively for FY 2021. The FY 2021 actual DPU also exceeded IPO projection by 11.3%. The record date for the DPU is 1 March 2022, and payment is expected to be made on 31 March 2022.

The REIT's portfolio remains 100% occupied as at 31 December 2021, with 99.9% of rent for the period of three months to March 2022 collected in advance and within seven days of the due date.

Despite increasing inflation rate in the UK, the properties have built-in inflation-linked rental escalation clauses, presenting potential upside at the upcoming rent review in the fifth year of the leases, whereby the new rental rates will start in April 2023. The rental uplift is based on the UK Consumer Price Index ("CPI"), subject to an annual minimum increase of 1.0% and maximum of 5.0% on an annual compounding basis from 1 April 2018 to 31 March 2023.

### **Notable Lease Developments**

The Manager has secured a new five-year lease for East Street, Epsom, with about 11% in rental uplift to start in April 2023 and a break option at year three. This outcome was reached after careful deliberations by both the landlord and tenant, by taking into account the interests of both parties. On another update, the lease break option for Sidlaw House, Dundee, has been exercised and multiple options, which include disposal, re-marketing or redevelopment of the site, are being evaluated.

The Manager is also engaging closely with the primary tenant, the UK Government's Department for Work and Pensions, on an ongoing basis through regular active dialogues as part of the Manager's proactive asset management. The Manager is also looking at integrating sustainability considerations into our overall business strategy, in view of the increasingly sustainability-focused environment to maintain the long-term value of the REIT.

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<sup>3</sup> Based on closing unit price of £0.665 as at 31 December 2021.

## 2021 Year in Review

Elite Commercial REIT had successfully completed its maiden acquisition of 58 UK commercial properties on 9 March 2021, growing its size in terms of number of properties and market capitalisation. The yield-accretive acquisition increased the REIT's exposure to London assets and also diversified its occupier mix to other government agencies such as the Ministry of Defence, National Records of Scotland, Her Majesty's Courts and Tribunals Service, National Resources of Wales and Environment Agency.

The REIT's wholly-owned subsidiary – Elite UK Commercial Holdings Limited (“**ECHL**”) – applied to be admitted on The International Stock Exchange (“**TISE**”) and was granted admission on 26 August 2021. This technical listing qualifies ECHL as a UK REIT group, where it will reap several tax-saving benefits, thereby future proofing the REIT's capital structure.

In addition, the REIT rolled out its Distribution Reinvestment Plan (“**DRP**”) which provides Unitholders an opportunity to elect receiving new units in the REIT in lieu of cash distributions. Through the DRP, Unitholders can increase their holdings in Elite Commercial REIT without incurring brokerage fees, stamp duties (if any) and other related costs. It will also allow the REIT to allocate more capital towards future transactions and strengthen its balance sheet simultaneously.

Ms Wang said: “We continue to outperform our IPO projections and have delivered a strong set of performance. In addition to contributions from our maiden acquisition, the TISE listing and DRP have enabled us to achieve tax savings and increase cashflow at the same time, as part of our prudent capital management. We continue to have our eyes on growing the REIT via future acquisition targets.”

## Other Significant Achievements in 2021

In May 2021, Elite Commercial REIT was selected as one of RHB Small Cap Top 20 Jewels for 2021. Being one of the companies featured in RHB's annual Regional Small Cap Compendium, Elite Commercial REIT was chosen for its resilience and stability throughout the pandemic.

In recognition of the REIT's inaugural annual report, the REIT was accorded a Bronze award in the international ARC Awards 2021 under the REIT: Commercial / Industrial / Office category. The REIT was also awarded a Certificate for Excellence in Investor Relations at the IR Magazine



Awards – South East Asia 2021 for making it into the list of nominee finalists for the Best Annual Report (Small Cap) category, amongst other listed companies from the South East region.

Elite Commercial REIT was also recognised for its excellence in corporate governance. The REIT was ranked joint 6<sup>th</sup> out of 45 REITs and Business Trusts in its debut in the 5<sup>th</sup> Governance Index for Trusts 2021 (“**GIFT 2021**”). The REIT was also included into the SGX Fast Track Programme for listed issuers, joining the ranks of 94 other listed issuers – among top ~15% of SGX-listed companies – that have been publicly recognised to have upheld high standards of corporate governance and maintained a good compliance track record.

“We are pleased to have achieved a number of milestones over the year. Our resilient and stable portfolio is attributable to the income generated by our unique tenant base. We continue to reiterate the REIT’s attractive investment proposition through proactive communication and transparency with the investment community. Elite Commercial REIT will keep striving to achieve best-in-class practices as it aims to deliver sustainable and growing distributions for all Unitholders,” added Ms Wang.

## Outlook and Prospects

As at 11 February 2022, a total of 52.5 million UK citizens have received at least one dose of the COVID-19 vaccine, and 48.7 million UK citizens have received two doses of the vaccine, representing 91.2% and 84.6% of the population aged 12 and over respectively. The UK’s vaccination programme continues as the government encourages its citizens to receive their third dose of the vaccine. A total of 37.7 million or 65.5% of the population aged 12 and over has received a booster or a third dose of the vaccine<sup>4</sup>.

In tandem with the continued easing of restrictions and reopening of the UK economy, UK’s economy is estimated to have grown by 1.0% in Q4 2021, driven mainly by human health and social work activities<sup>5</sup>. On an annual basis, UK’s gross domestic product (“**GDP**”) rose by 7.5% in 2021, following a 9.4% fall in 2020 due to the initial impact of the COVID-19 pandemic and public health restrictions<sup>5</sup>.

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<sup>4</sup> Gov.UK, *Vaccinations in in the UK*.

<sup>5</sup> Office for National Statistics, *GDP first quarterly estimate, UK: October to December 2021, 11 February 2022*.

The Bank of England (“**BoE**”) expects UK GDP in Q1 to remain flat due to a slowing in economic activity brought about by the Omicron variant, though it is not expected to last. In January 2022, the International Monetary Fund cut its forecast for UK GDP growth in 2022 from 5.0% to 4.7% due to disruptions from the Omicron variant of the coronavirus and supply constraints but raised its estimate for growth in 2023 from 1.9% to 2.3%<sup>6</sup>.

BoE’s Monetary Policy Committee (“**MPC**”) has set its monetary policy to meet the 2% inflation target to help sustain growth and employment and voted to raise interest rates again in February 2022 by 0.25% percentage points, to 0.5%<sup>7</sup> - the second hike in less than two months. The MPC also voted unanimously for BoE to begin reducing the stock of UK government bond purchases.

Meanwhile, twelve-month CPI inflation rose from 5.1% in November 2021 to 5.4% in December 2021<sup>8</sup>. Inflation is expected to increase further in the coming months, peaking at around 7.25% in April 2022, mainly reflecting global energy and tradable goods prices<sup>7</sup>. However, upward pressures on CPI inflation are expected to dissipate over time<sup>7</sup>.

Unemployment has continued to fall, despite the closure of the furlough scheme in September 2021. Unemployment stood at 4.1% in the three months to November 2021 and the labour market is expected to tighten further in the very near term<sup>7</sup>.

Claimant count for the month of November 2021 was at 1.96 million, a decrease of 1.9% compared to the last quarter, and 29.3% lower from a year ago<sup>9</sup>, suggesting that unemployment claimants have been falling over the past year. However, it is noted that unemployment rates remain higher than pre-pandemic levels at a local level, emphasising the importance of DWP’s services to the UK citizens.

The Manager continues to be on the lookout for growth opportunities. These opportunities may be available to the REIT through its Sponsors’ right of first refusal pipeline or from the open market.

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<sup>6</sup> International Monetary Fund, *World Economic Outlook Update, January 2022*, 25 January 2022.

<sup>7</sup> Bank of England, *Monetary Policy Report, February 2022*, 3 February 2022.

<sup>8</sup> Office for National Statistics, *Consumer price inflation, UK: December 2021*, 19 January 2022.

<sup>9</sup> Gov.UK, *Alternative Claimant Count statistics January 2013 to November 2021*, 18 January 2022.



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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 155 predominantly freehold<sup>10</sup> quality commercial buildings located across the UK valued at an aggregate of £500.1 million<sup>11</sup>, with a total net internal area of approximately 3.9 million square feet. Of the total portfolio, 58 of the properties were acquired on 9 March 2021 during the REIT’s maiden acquisition.

The Portfolio offers a stable cash flow with over 99.0% of the gross rental income derived from the UK government. The full repairing and insuring (“**FRI**”) leases<sup>12</sup> with the UK Government include rental escalations that are 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 23 million claimants. DWP is a uniquely resilient occupier and the Portfolio is crucial public infrastructure for the provision of DWP services.

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<sup>10</sup> Of the 155 properties, 150 properties are freehold properties and 5 properties are on long leasehold tenures.

<sup>11</sup> As at 31 December 2021.

<sup>12</sup> Under a full repairing and insuring (“**FRI**”) lease, commonly known as 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.



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%).



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*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.*