



# Investor Presentation

March 2022

# Important Notice



This announcement should be read in conjunction with the announcement dated 28 February 2022 titled “Lease Updates and Sustainability Collaboration with the UK Government’s Department for Work and Pensions” (the “**Announcement**”).

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. This presentation may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses, property expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

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All capitalised terms shall, if not otherwise defined, have the same meanings as ascribed to them in the Announcement.

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## II. FY 2021 Financial Highlights



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## Section I

# About Elite Commercial REIT



**Nutwood House, Canterbury**

# First & Only UK-Focused S-REIT

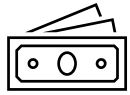
Over 99% Leased to the AA-rated UK Government<sup>(1)</sup>



**£500.1m<sup>(2)</sup>**  
Portfolio value



**155**  
Office Assets



**AA-rated**  
UK Government  
credit rating



**97%**  
Freehold<sup>(3)</sup>



**Triple Net**  
Full Repairing &  
Insuring Leases<sup>(4)</sup>



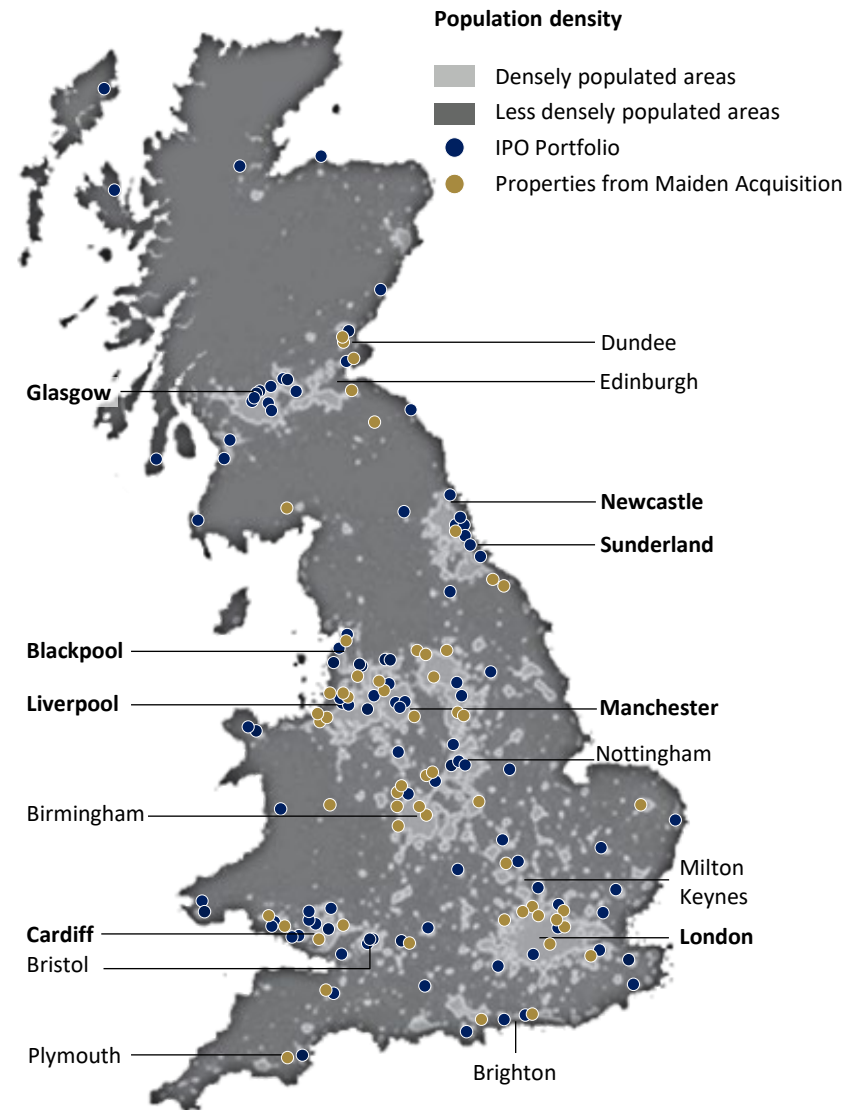
**Every 5 years**  
Built in Inflation-  
linked Rent Uplift<sup>(5)</sup>

## Notes:

1. Majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities (formerly known as the Secretary of State for Housing, Communities and Local Government), which is a Crown Body.
2. As at 31 December 2021.
3. 150 properties are on freehold tenures and 5 properties are on long leasehold tenures.
4. Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability.
5. A small proportion of the portfolio has rental review based on open market rental value.

## Geographically Diversified

A network of well-located assets across the UK



# Key Milestones Since Listing



ELITE COMMERCIAL REIT  
Listed on SGX on 6 Feb 2020

**UOB Kay Hian**  
UOB Kay Hian initiated coverage

**1H 2020 results**  
DPU exceeded forecast by 1.0%

**FY 2020 results**  
Full year DPU surpassed forecast by 2.3%

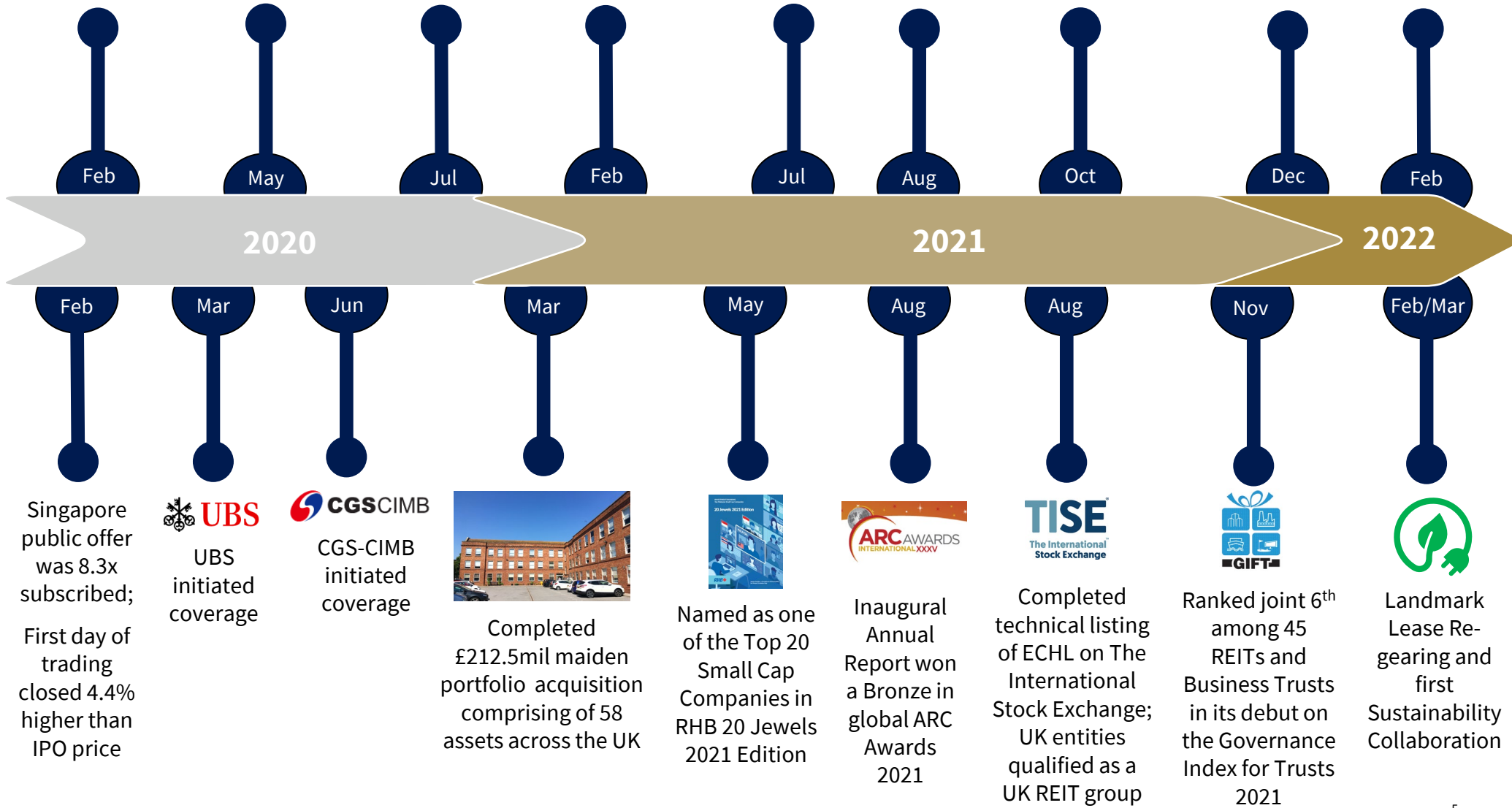
**DBS**  
DBS initiated coverage

**1H 2021 results**  
DPU exceeded projection by 8.7%

**Maybank Kim Eng**  
Maybank Kim Eng initiated unrated report

**SGX**  
Inclusion into SGX Fast Track Programme


**FY 2021 results**  
DPU exceeded projection by 11.3%



Feb  
Singapore public offer was 8.3x subscribed;  
First day of trading closed 4.4% higher than IPO price

Mar  
**UBS**  
UBS initiated coverage

Jun  
**CGS-CIMB**  
CGS-CIMB initiated coverage

Mar  
  
Completed £212.5mil maiden portfolio acquisition comprising of 58 assets across the UK

May  
  
Named as one of the Top 20 Small Cap Companies in RHB 20 Jewels 2021 Edition

Aug  
  
Inaugural Annual Report won a Bronze in global ARC Awards 2021

Aug  
**TISE**  
The International Stock Exchange  
Completed technical listing of ECHL on The International Stock Exchange; UK entities qualified as a UK REIT group

Nov  
  
Ranked joint 6<sup>th</sup> among 45 REITs and Business Trusts in its debut on the Governance Index for Trusts 2021

Feb/Mar  
  
Landmark Lease Re-gearing and first Sustainability Collaboration



## Section II

# FY 2021 Financial Highlights



**Nutwood House, Canterbury**

# FY 2021 DPU Exceeded Projection

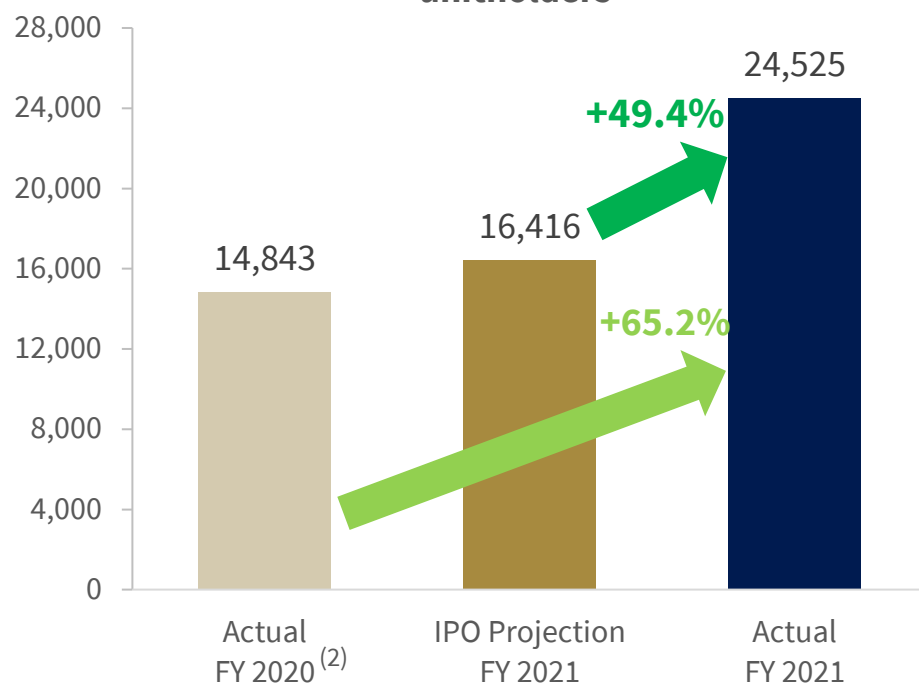
Consistently delivering on IPO promises



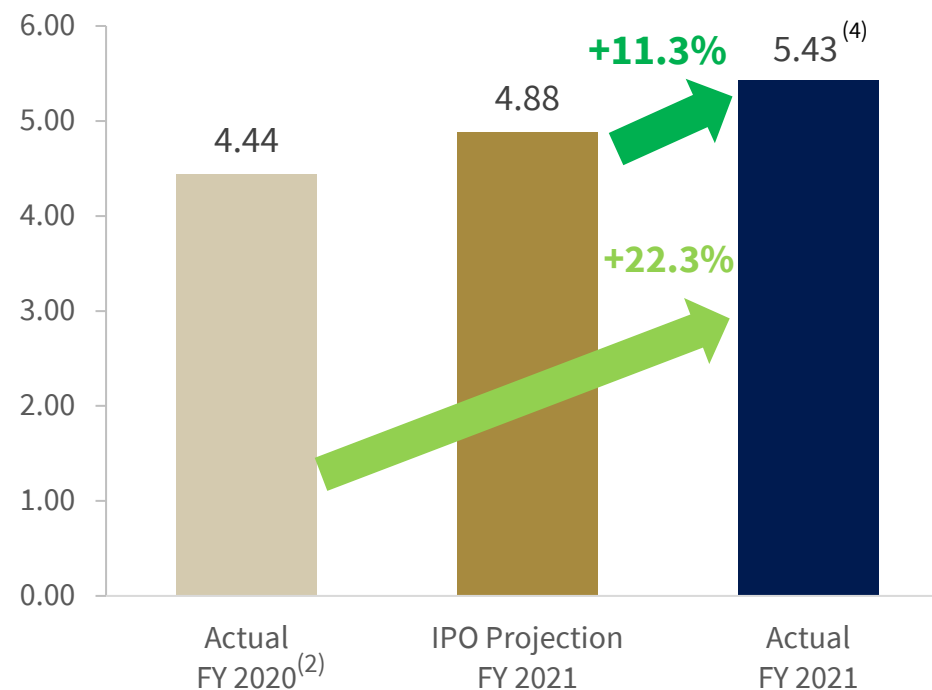
## Outperformance over IPO Projection<sup>(1)</sup> and Actual FY 2020<sup>(2)</sup>

Boosted by **contribution** from newly acquired portfolio<sup>(3)</sup>

Income available for distribution to unitholders



Distribution per unit (pence)



### Notes:

1. IPO Projection for FY 2021 refers to the profit projection for the period from 1 January 2021 to 31 December 2021. The projection figures were derived by pro-rating the financials of IPO Projection Year 2021 as disclosed in the Prospectus.
2. Actual FY 2020 refers to the financial period from listing date of 6 February 2020 to 31 December 2020.
3. The portfolio of 58 properties acquired on 9 March 2021 contributes approximately £11.4million to the topline revenue for FY 2021.
4. The DPU of 5.43 pence includes the advanced distribution of 0.90 pence per Unit for the period from 1 January 2021 to 8 March 2021 that was paid on 15 April 2021.



# Stable cashflow with income visibility

## FY 2021 Key Highlights



### Sound Financials

1

#### Proactive capital deployment

Proceeds from maiden Dividend Reinvestment Plan (DRP) used to partially retire some loans

2

#### Stable financial position

Gearing ratio remains stable at 42.4% as at 31 Dec 2021; Interest coverage ratio (ICR) remains robust at 6.0x

3

#### Completion of TISE listing

UK entities joined UK REIT regime on 26 Aug 2021, leading to tax savings and elimination of previously recognised deferred tax liabilities

4

#### Stable Net Asset Value

Net asset value per unit stood at £0.61 as at 31 Dec 2021

### Resilient portfolio



1

#### Consistently strong rental collection since listing

Achieved ~99.9% advance rental collection for the period of three months to March 2022

2

#### Maiden acquisition of 58 properties

Portfolio size grew 60% and 39% in terms of number of properties and market capitalisation

3

#### Proactive asset management

- Positive outcome for leases with break options exercised such as a new five-year lease for East Street, Epsom, or rent review such as Dallas Court Units 1-2, Salford, both with a rental uplift
- Multiple options for Sidlaw House, Dundee and John Street, Sunderland, whose lease break options were exercised
- Proactive tenant engagement through ongoing regular active dialogues
- Boots-on-the-ground approach with management reinforcement in the UK

# Financial Highlights – Actual vs Financial Year 2020

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

**Notes:**

1. Actual FY 2020 refers to the financial period from listing date of 6 February 2020 to 31 December 2020. Although Elite Commercial REIT was constituted on 7 June 2018, the initial public offering was completed on 6 February 2020 which was the official listing date of Elite Commercial REIT.
2. The portfolio of 58 properties acquired on 9 March 2021 contributes approximately £7.1million and £11.4million to the topline revenue for 2H 2021 and FY 2021 respectively.

# Financial Highlights – Actual vs IPO Projections

	FY 2021		
	Actual £'000	Projection <sup>(1)</sup> £'000	Variance %
Revenue	34,731 <sup>(2)</sup>	23,274	▲ 49.2
Amount generated during the period for distribution to Unitholders	24,525	16,416	▲ 49.4
Distribution per unit (“ <b>DPU</b> ”) - pence	5.43	4.88	▲ 11.3

**Notes:**

1. IPO Projection for FY 2021 refers to the profit projection for the period from 1 January 2021 to 31 December 2021, as disclosed in the Prospectus.
2. The portfolio of 58 properties acquired on 9 March 2021 contributes approximately £11.4million to the topline revenue for FY 2021.

# Healthy Balance Sheet

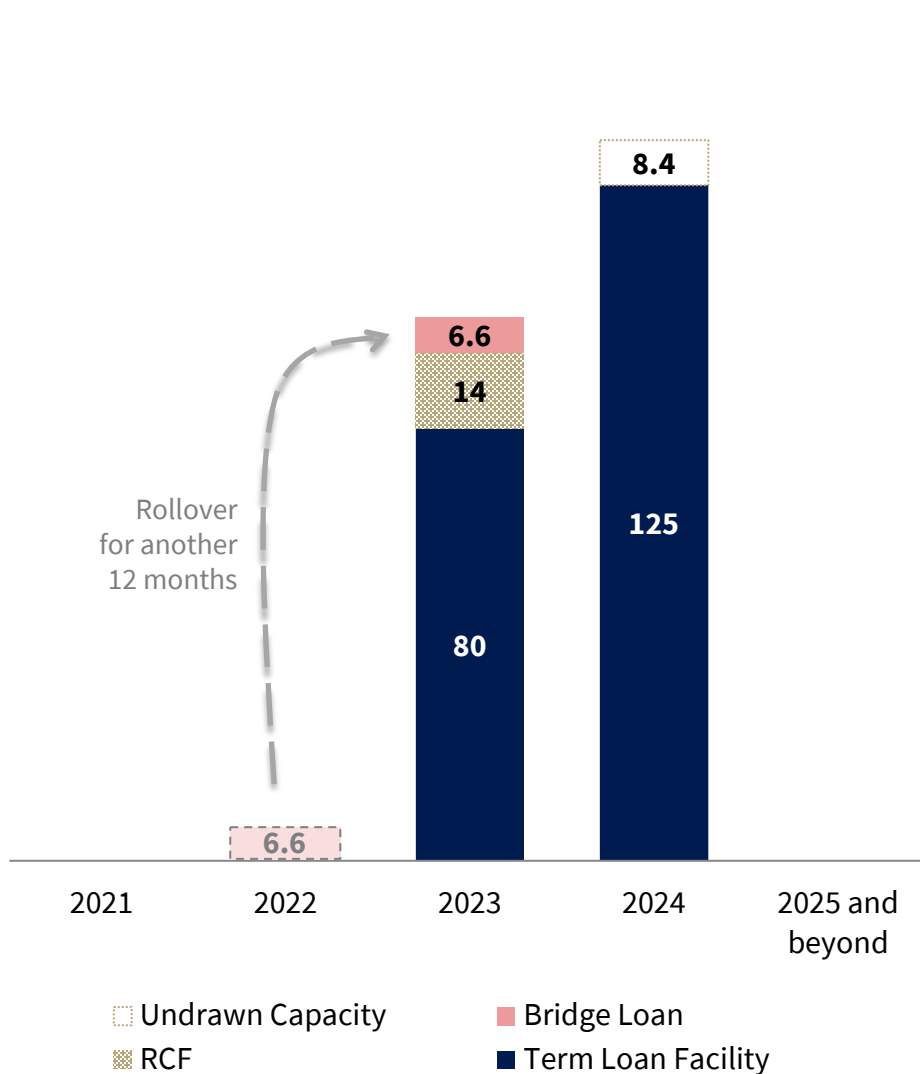
	31 Dec 2021 £'000
Non-current assets	501,855 <sup>(1)</sup>
Current assets	31,509
<b>Total assets</b>	<b>533,364</b>
Non-current liabilities	222,290
Current liabilities	22,055
<b>Total liabilities</b>	<b>244,345</b>
<b>Net assets / Unitholders' funds</b>	<b>289,019</b>
<b>Units in issue and issuable ('000)</b>	<b>476,506</b>
<b>Net asset value per unit (£)</b>	<b>0.61</b>

**Note:**

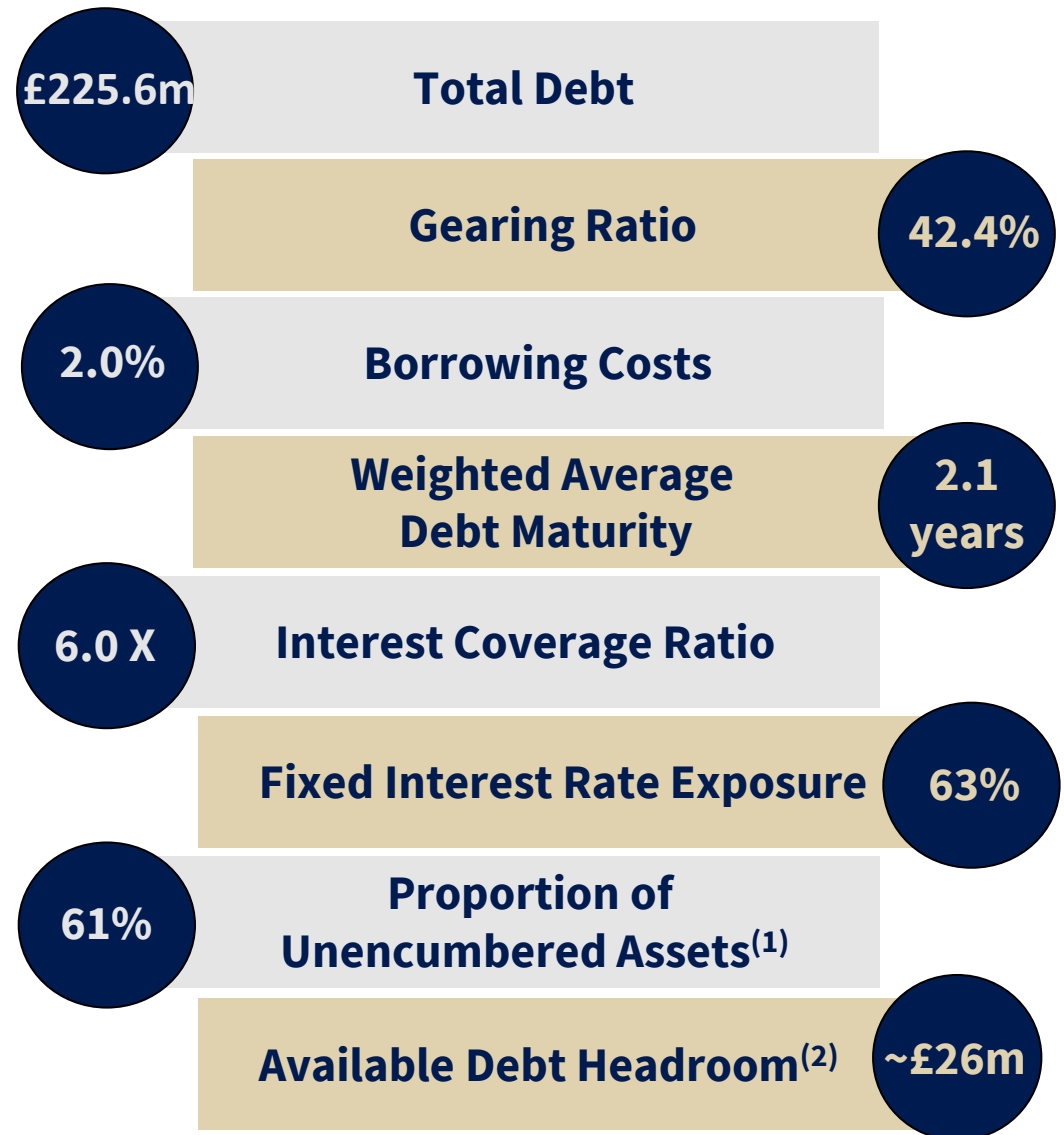
1. Non-current assets comprise mainly of investment properties, which are stated at their fair values as of 31 December 2021, based on independent professional valuations undertaken by Knight Frank LLP.

# Prudent Capital Management

## Debt Maturity Profile (£ m)



## Credit Metrics



### Notes:

1. Based on valuations; unencumbered assets refer to properties without land mortgages
2. Based on gearing ratio of 45%; available debt headroom is ~£81m based on gearing ratio of 50%



## Section III

# FY 2021 Portfolio Highlights



**Nutwood House, Canterbury**

# Resilient Portfolio with Income Visibility

Assets stay relevant as utilisation by tenant remains high

## Steady Portfolio Performance

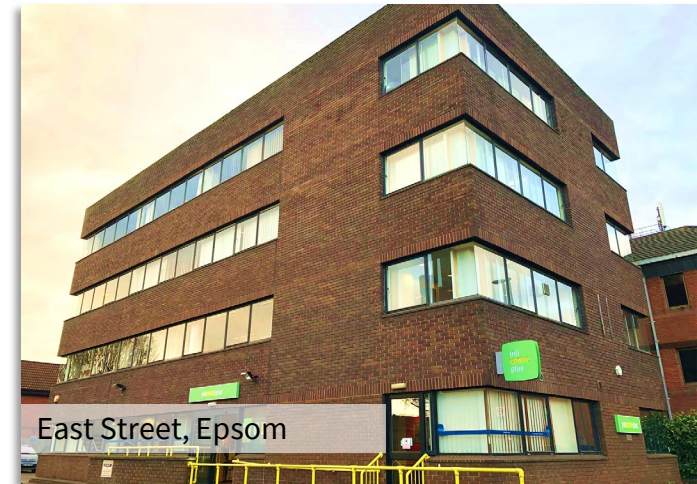
- **100% portfolio occupancy rate** as at 31 December 2021
- Long weighted average lease to expiry (WALE) of **6.0 years**

## Consistent Rent Collection in Advance

- **Received in advance 99.9% of the rent** for the three-month period of January 2022 to March 2022, within seven days of the due date
- **Consistently** achieved ~100% of rent collection **in advance** since listing, amid Brexit and UK lockdowns

## Lease Events

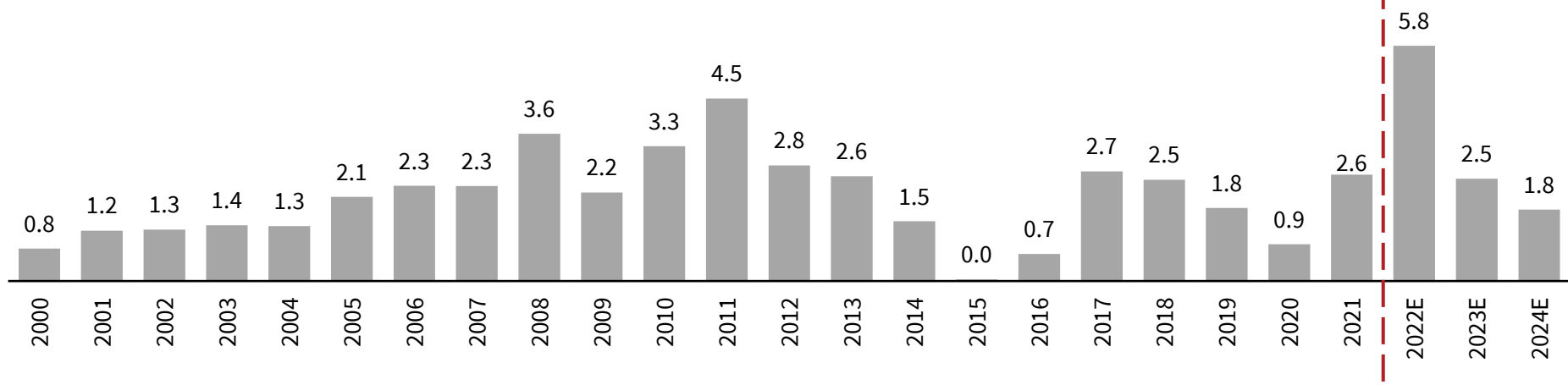
- **East Street, Epsom**
  - A new five-year lease for East Street, Epsom, with ~11% in rental uplift to start in April 2023 and a break option at year three
- **Sidlaw House, Dundee**
  - Lease break option has been exercised; Multiple options, including disposal, re-marketing or redevelopment of the site, are being evaluated



# Built-in Rental Growth

Potential upside at upcoming rent review in 2023

### UK Annual CPI inflation<sup>(1)</sup> (%)



## Inflation-linked Escalation

- Despite increasing inflation rate in the UK, the built-in inflation-linked rental escalation clauses present potential upside at the upcoming rent review in the fifth year, with the new rental rates to 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

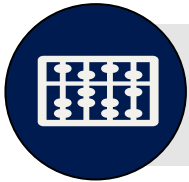
### Notes:

1. Office for National Statistics, Gov.UK, CPI Annual Rate 00: All Items 2015=100.
2. Bank of England Monetary Policy Report February 2022.



# Diversified and Resilient Tenant Mix

Multiple government agencies and across regions

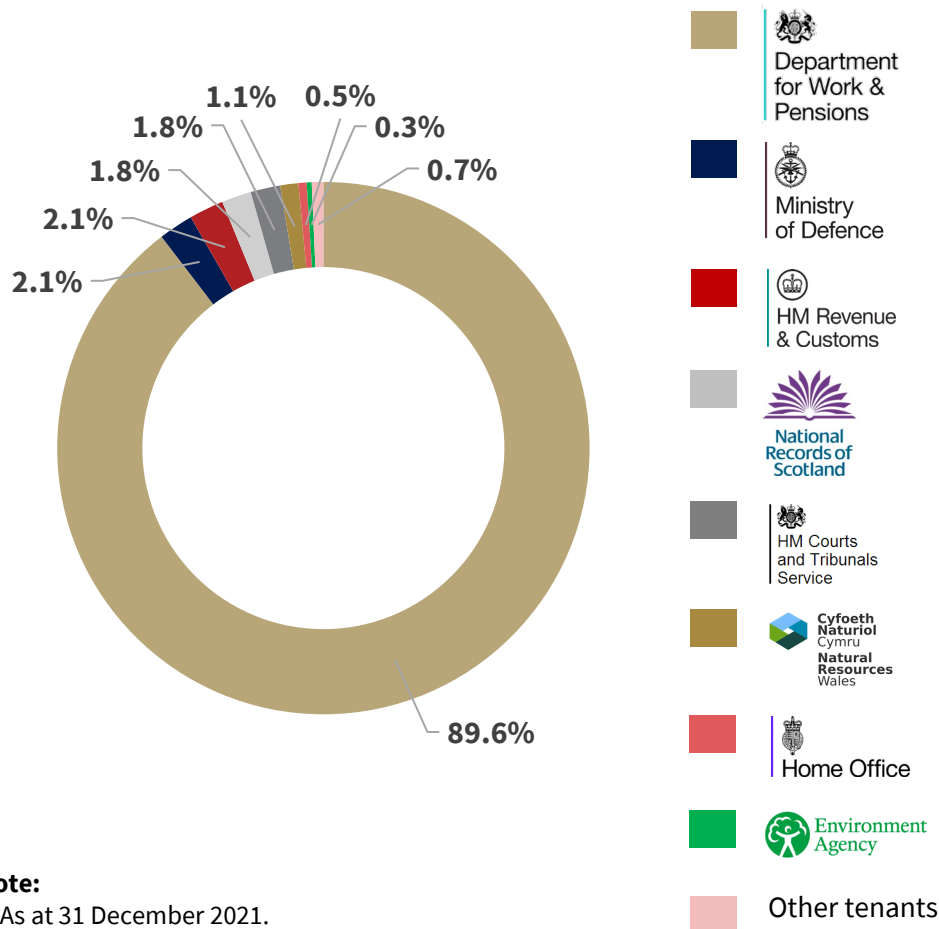


## Varied exposure to UK sovereign credit

## Strategic regional cities

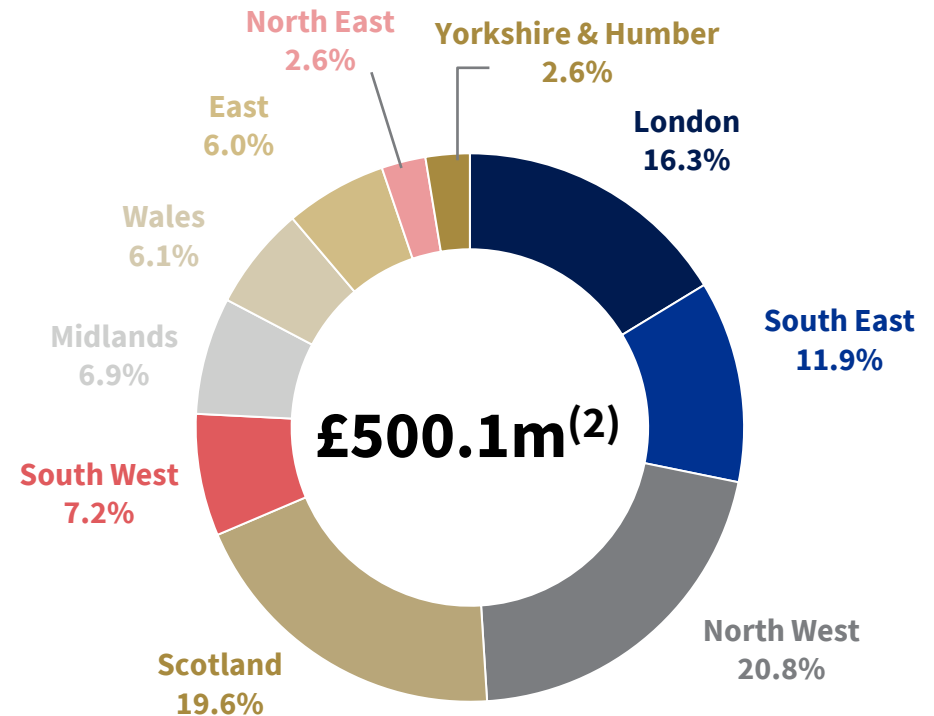


Tenant Breakdown by Gross Rental Income<sup>(1)</sup>



**Note:**  
1. As at 31 December 2021.

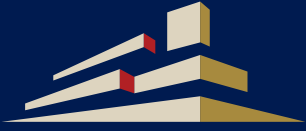
Portfolio Breakdown by Valuation<sup>(2)</sup>



**Notes:**  
2. The Manager undertook a reclassification of the properties into regions based on the regional classifications provided by the Office for National Statistics. Majority of the properties that were reclassified were from the South East to the East region.  
3. As at 31 December 2021.

## Section IV

# Lease Re-gearing & Sustainability Collaboration



ELITE COMMERCIAL REIT



Nutwood House, Canterbury

# Lease Re-gearing<sup>(1)</sup>

## Secured lease stability and income visibility for the next six years

### Removal of Lease Break Options

- The positive Lease Re-gearing exercise saw the removal of a lease break clause set to occur in March 2023 (“**lease break option**”) from 108 of 117 DWP-occupied assets in our portfolio with the lease break option
- 11 of the 108 DWP-occupied assets will have rent reductions starting in April 2023<sup>(2)</sup> after the rental uplift
- Except for the removal of the lease break option and rent adjustment for 11 of the assets, the rest of the lease terms remain the same
- Till date, the Manager has received break option notice for one out of the remaining nine DWP-occupied assets with the lease break option
- The Manager continues to work with DWP on the balance eight assets with lease break option and will update the market in due course

### Income Visibility with Built-in Inflation-Linked Upside

- With this milestone development, 83.1% of the leases by total portfolio gross rental income will continue to run free of lease break options to March 2028, enhancing income visibility and lease stability over the next six years
- The leases will continue to benefit from the current built-in inflation-linked rental escalation clause in these leases, presenting potential upside from April 2023
- The rental uplift is based on the UK Consumer Price Index, 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
- Portfolio WALE will remain stable at 6.0 years post Lease Re-gearing

#### Notes:

1. Re-gearing a lease is the practice of renegotiating lease terms between the tenant and landlord during the course of the lease.

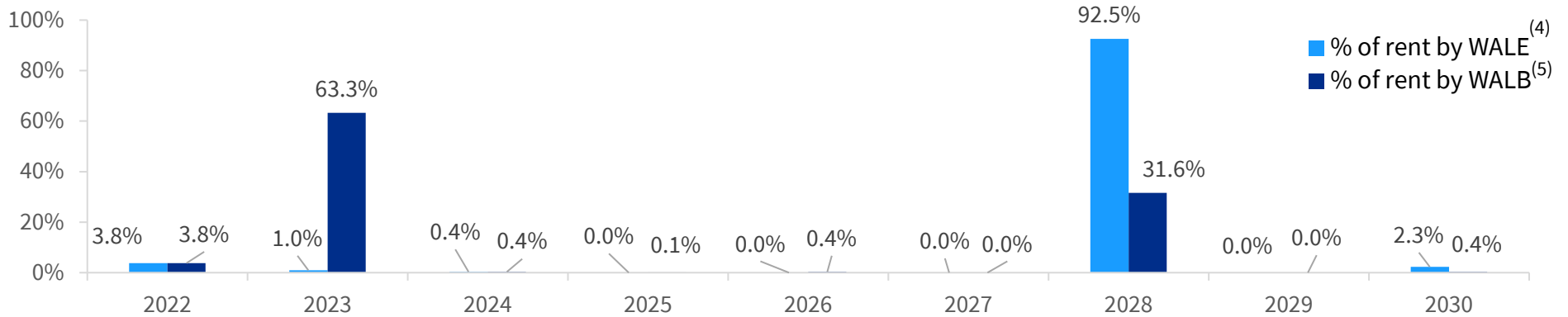
2. For the avoidance of doubt, leases with a reduced rent will still be subject to the rent review provisions set out in the leases, providing built-in upside.

# Lease Re-gearing (1)

## Secured income visibility for the next six years

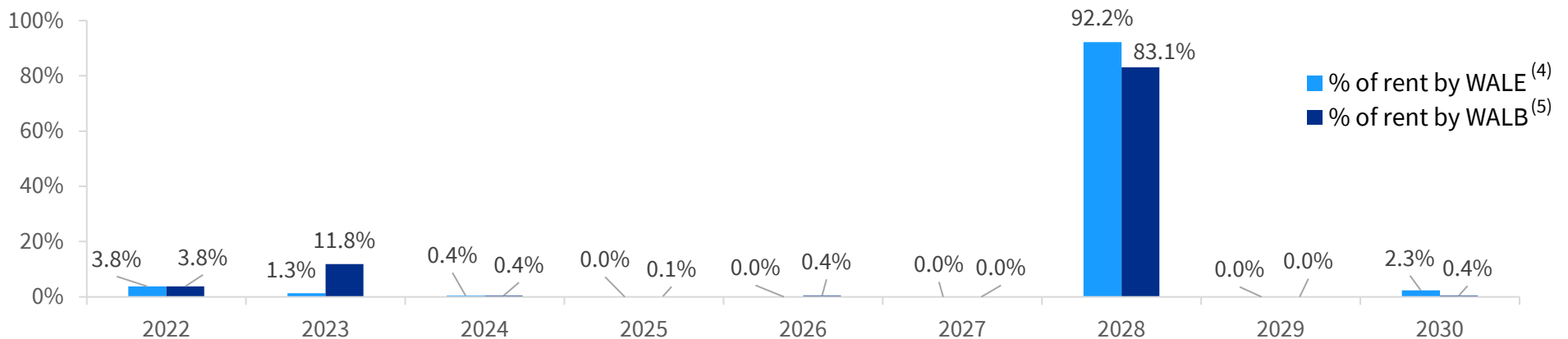
### Before Lease Re-gearing<sup>(1)</sup>

Lease Expiry Profile as at 31 December 2021 (% of total portfolio rent)<sup>(2)</sup>



### After Lease Re-gearing<sup>(1)</sup>

Lease Expiry Profile (Post Lease Re-Gearing<sup>(3)</sup>) (% of total portfolio rent)<sup>(2)</sup>



#### Notes:

1. Re-gearing a lease is the practice of renegotiating lease terms between the tenant and landlord during the course of the lease.
2. Discrepancies between the listed figures and totals thereof are due to rounding.
3. Taking into account the break notice received on one DWP-occupied asset.
4. Percentage of rent by WALE (Weighted Average Lease to Expiry) – Based on the final termination date of the lease agreement (assuming the tenant does not terminate the lease on the permissible break dates).
5. Percentage of rent by WALB (Weighted Average Lease to Break) – Based on the next permissible break date at the tenant's election or the expiry of the lease, whichever is earlier.

# Sustainability Collaboration

## Integration of sustainability considerations into overall strategy



### First Sustainability Collaboration with the UK Government's DWP to 'green' buildings in Elite Commercial REIT's portfolio leased to DWP

#### Key terms of the collaboration

- 1 Sustainability Contribution**

Notwithstanding the FRI<sup>(1)</sup> nature of our leases, the REIT commits to invest an aggregate of £14.67 million over three years towards agreed upon asset enhancement works on the REIT's properties occupied by DWP, to be funded through sufficient internal sources like existing and new debts, and cash retained from dividend reinvestment plan – minimal DPU impact
- 2 Agreed upon works**

Examples of such works include repair, replacement or upgrade of the lighting systems, heating and cooling systems, insulation and solar panels, and other initiatives
- 3 Improve energy efficiency**

Such works are likely to improve the properties' energy efficiency to a more sustainable standard, resulting in an upgrade of the Energy Performance Certificate ("EPC") ratings<sup>(2)</sup> for the properties
- 4 Integrating sustainability into business strategy**

Proactive strategy ensures that the REIT's portfolio of properties remain relevant and enhances the long-term value of Elite Commercial REIT



#### Notes:

1. Under a full repairing and insuring ("FRI") lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability.
2. An EPC measures the energy efficiency of a property on a scale of A to G. It contains information about a property's energy use and typical energy costs, as well as recommendations about how to reduce energy use and save money.

# Sustainability Collaboration

Win-win initiative to adapt portfolio in response to climate change



**First Sustainability Collaboration with the UK Government's DWP to 'green' buildings in Elite Commercial REIT's portfolio leased to DWP**



## Energy Performance Certificates

### For England and Wales<sup>(1)</sup>:

- The current minimum Energy Performance of Buildings for non-domestic private rented property<sup>(2)</sup> under the Regulation includes amongst others: -
  - ✓ Landlords must not continue to let non-domestic property below EPC Band E to existing or new tenants by 1 April 2023, unless exemptions are obtained
- The UK Government is currently going through the parliament phase for the new Minimum Energy Performance of Buildings (No. 2) Bill. The proposed Bill includes amongst others: -
  - ✓ All rented non-domestic buildings must be EPC Band B by 2030
- Guidance includes an interim milestone of EPC Band C by 2027
- Elite Commercial REIT's properties in England and Wales currently have EPC ratings ranging from Band B to E



#### Notes:

1. Further information on EPC Rating guidance and legislation can be found at: Department for Business, Energy & Industrial Strategy, "The Non-Domestic Private Rented Property Minimum Standard, Guidance for landlords and enforcement authorities on the minimum level of energy efficiency required to let non-domestic property under the *Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015*", February 2017.
2. Non-domestic private rented property refers to any privately rented property that is not a dwelling, meaning a building or part of a building occupied or intended to be occupied as a separate dwelling. A property may be a whole building, or may be a unit within a building. (The meaning of non-domestic private rented property is set by Regulation 20(1), as defined by section 42(1)(b) of the Energy Act 2011.)

# Sustainability Collaboration

## Integration of sustainability considerations into overall strategy



Department  
for Work &  
Pensions



### First Sustainability Collaboration with the UK Government's DWP to 'green' buildings in Elite Commercial REIT's portfolio leased to DWP



## Energy Performance Certificates

### For Scotland<sup>(1)</sup>:

- The equivalent regulations for non-domestic buildings in Scotland currently do not impose a minimum EPC rating requirement. The Scottish government is proposing to build on the current Non-Domestic Energy Efficiency regulations under the Climate Change (Scotland) Act. Details are yet to be finalised
- Elite Commercial REIT's properties in Scotland currently have EPC ratings ranging from Band C to F



## Establishing Collaborative Relationship with Primary Occupier

- This innovative collaboration with Elite Commercial REIT's primary occupier, DWP, marks a commitment by both the landlord and the occupier to achieve sustainability goals such as the UK Government's commitment to achieve net zero carbon emissions by 2050<sup>(2)</sup>



### Notes:

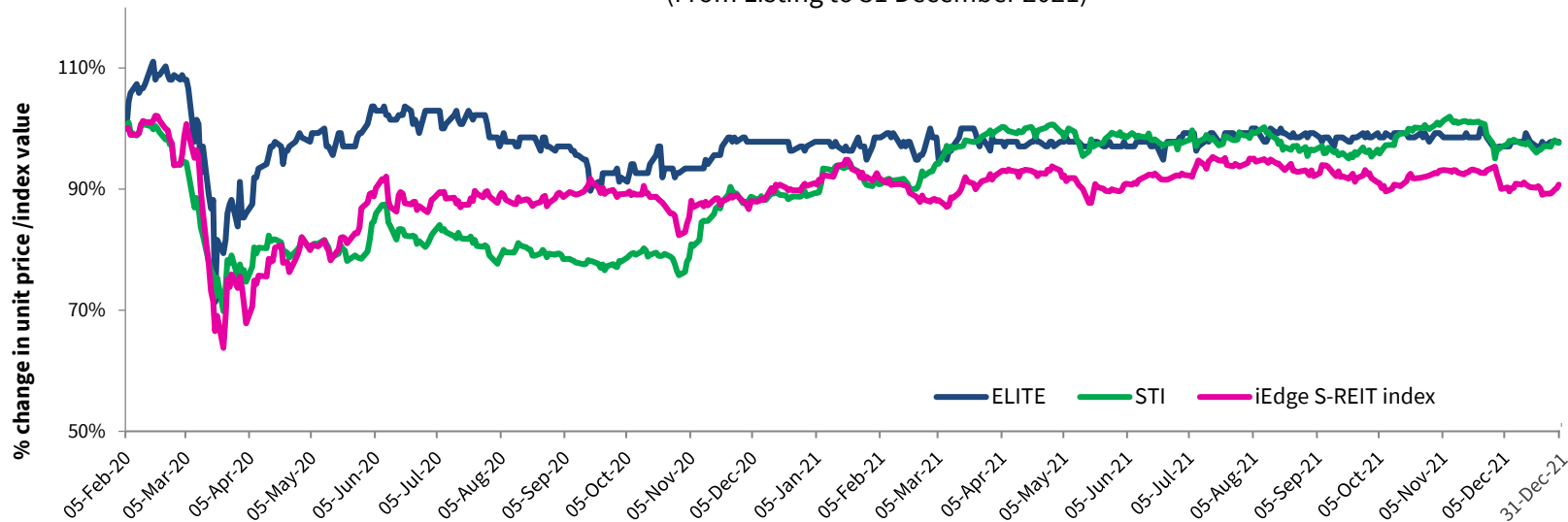
1. Further information on EPC Rating guidance and legislation can be found at: Scottish Government, gov.scot, Energy efficiency in non-domestic buildings (<https://www.gov.scot/policies/energy-efficiency/energy-efficiency-in-non-domestic-buildings/>)

2. Gov.UK, HM Government, Net Zero Strategy: Build Back Greener, October 2021.

# Resilient Trading Performance

## Recession-proof amid COVID-19 Pandemic and Brexit

Relative unit price performance of Elite Commercial REIT against indices<sup>(1)</sup>  
(From Listing to 31 December 2021)



**Elite CREIT: -2.2%**  
**STI: -2.4%**  
**iEdge S-REIT: -9.3%**

**Note:**

1. Percentage change in unit price/index value for Elite Commercial REIT is based on IPO price of GBP0.68 and indices are based on 5 February 2020 closing price.

## Intensified Investor Relations Efforts

### Research House Coverage



**“BUY”**

Target price

**£0.76**



**“ADD”**

Target price

**£0.76**



**“BUY”**

Target price

**£0.95**



Initiated coverage

**“BUY”**

Target price

**£0.80**



Issued **inaugural** unrated research report on Elite Commercial REIT

### Public Outreach Efforts and CSR

- Supported **SGX Cares Bull Charge Virtual Charity Run 2021**, an annual fund-raising event that supports underprivileged children and families, persons with disabilities and the elderly
- Care pack distribution to the elderly in collaboration with **Lion Befrienders** and our Sponsor
- Featured in **The Business Times Singapore’s** Topline column
- Phillip Securities** and **Lim & Tan Securities** Trading Representatives teach-in sessions;
- Exclusive investor webinar by **UOB Kay Hian**
- CLSA Singapore Hidden Jewels Access Day 2022**



# Awards and Accolades

## Recognition for sound stewardship

### Corporate Governance



Inclusion into

### SGX Fast Track Programme

for listed issuers

- Joins 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



### Ranked Joint 6<sup>th</sup> out of 45 REITs and Business Trusts on the 5th Governance Index for Trusts 2021

- Elite Commercial REIT's debut on the list
- Overall ranking: Based on independent assessment of the REIT's governance and business risk score

### Inaugural Annual Report



### Won a Bronze in global ARC Awards 2021 (REIT: Commercial/ Industrial/ Office category)

Overall excellence in terms of writing and design; Evaluated by a global panel of judges based on creativity, clarity and effectiveness



### Accorded a Certificate for Excellence in Investor Relations at the IR Magazine Awards – South East Asia 2021

Shortlisted as a finalist in the **Best Annual Report (Small Cap)** category, amongst other listed companies from the South East Asia region

### Financial Management



### Winner for Excellence in Tax Management and Optimisation under the Operational Excellence Award category at the FutureCFO Excellence Awards 2022

Honours achievements made by finance leaders and acknowledge challenges and opportunities that finance professionals face to maintain resiliency throughout the pandemic in pursuit of sustainable growth moving ahead



## Section V

# Market Outlook & Moving Forward

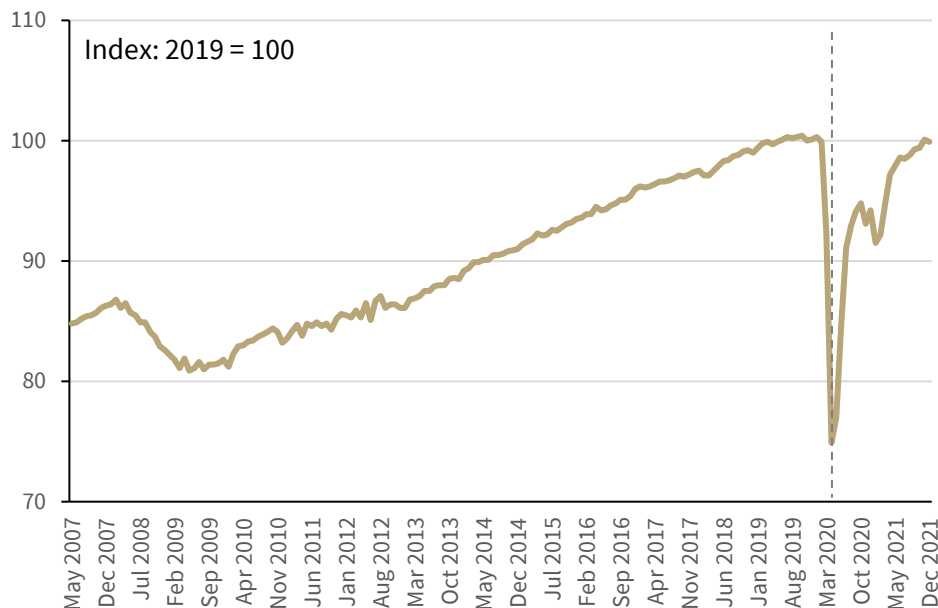


**Nutwood House, Canterbury**

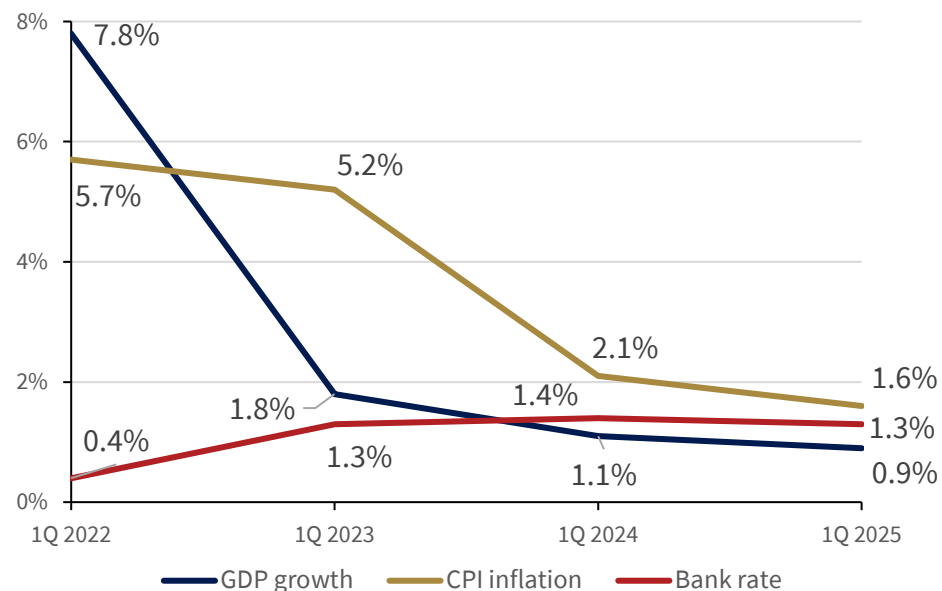
## UK GDP growth rebounded but remains below its pre-pandemic level

- UK economy is estimated to have grown by 1.0% in Q4 2021 but remains 0.4% below its pre-pandemic level in Q4 2019, driven mainly by human health and social work activities. On an annual basis, UK economy grew 7.5% in 2021
- Twelve-month Consumer Prices Index (CPI) inflation rose from 5.1% in November 2021 to 5.4% in December 2021 – the highest 12-month inflation rate since September 2011 when it stood at 5.2%. Inflation is expected to increase further in the coming months, peaking at around 7.25% in April 2022, mainly reflecting global energy and tradeable goods prices. However, upward pressures on CPI inflation are expected to dissipate over time
- The Bank of England Monetary Policy Committee (MPC) voted by a majority at the February 2022 meeting to increase bank rate a second time under two months by 0.25 percentage points to 0.5%. Some modest tightening of monetary policy over the forecast period is likely to be necessary to meet the 2% inflation target sustainably. Based on market-implied path, bank rate is expected to reach around 1.5% by the middle of 2023

Monthly estimate of UK GDP



GDP growth, CPI inflation & bank rate forecast

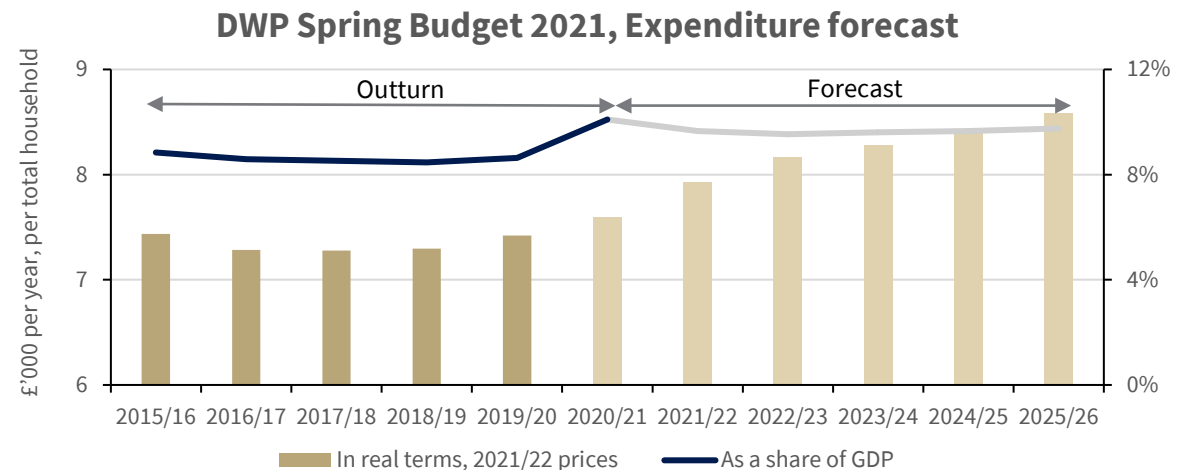
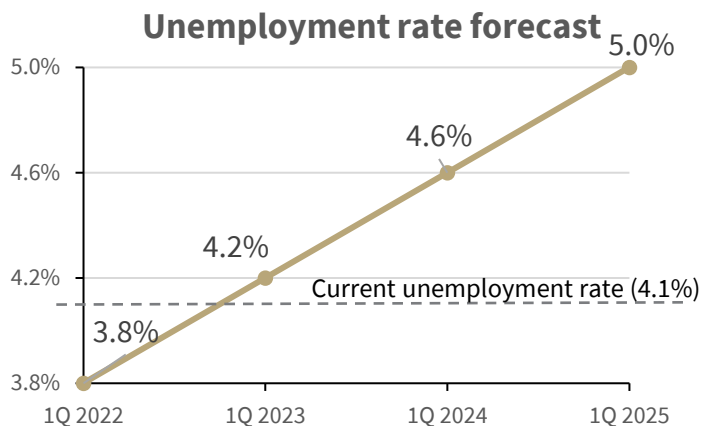
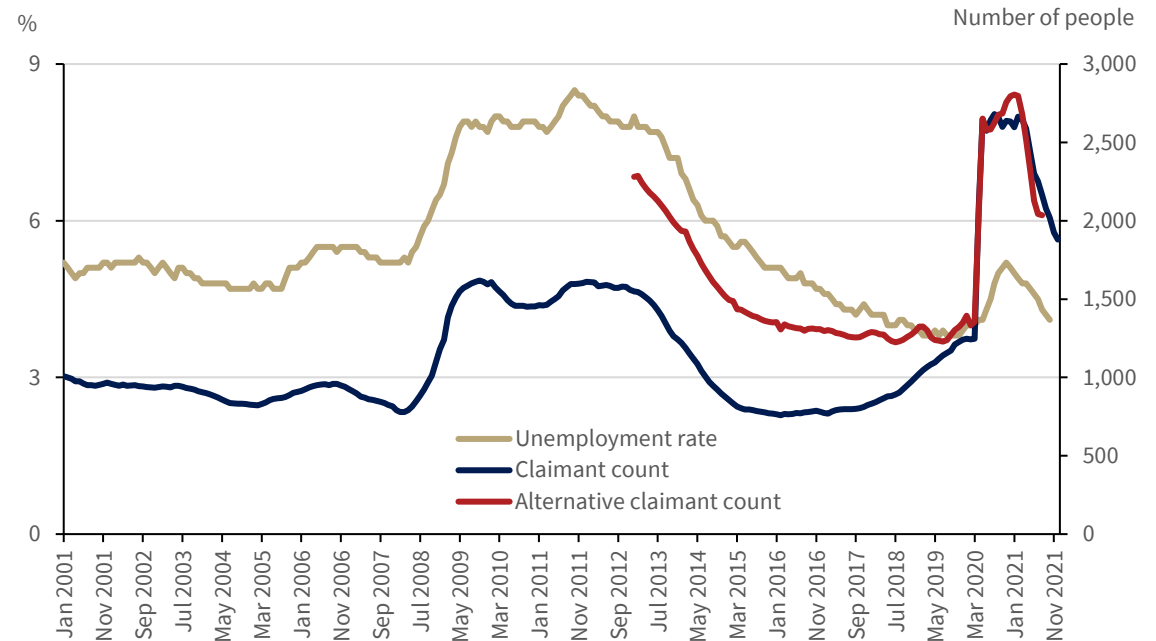


Sources: Office for National Statistics, Bank of England Monetary Policy Report February 2022, Gov.UK

# Market Outlook

## Claimant count & alternative claimant count remain above pre-pandemic levels

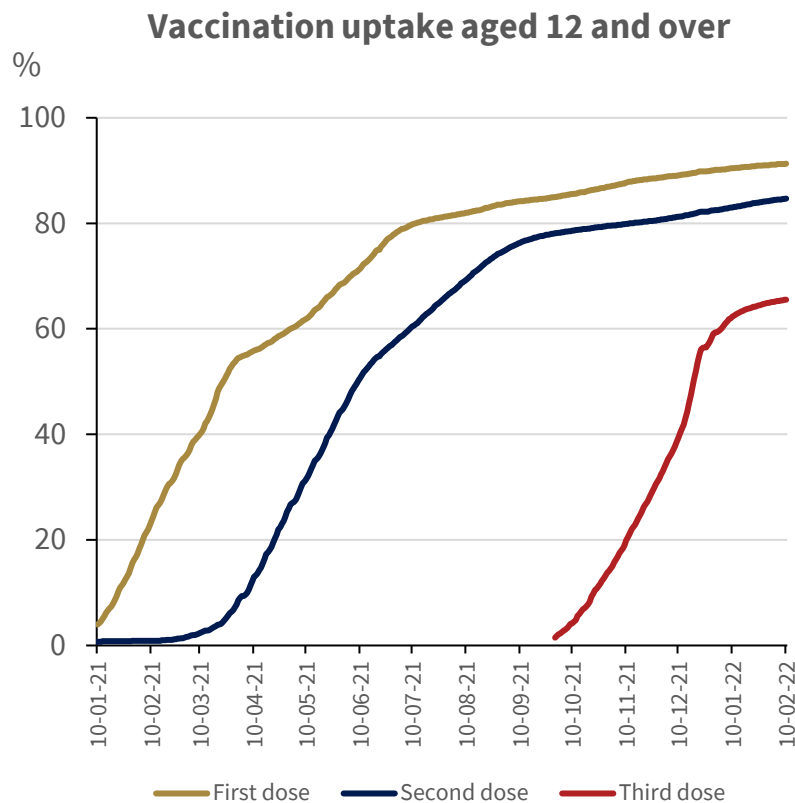
- Unemployment rate in UK stood at 4.1% in the three months to November 2021 and the labour market is expected to tighten further in the very near term
- DWP's claimant count of 1.96 million in November 2021 remains high compared to pre-pandemic
- Following the end of furlough scheme in September 2021, the UK government announced a £500 million Plan for Jobs Expansion to support the labour market in the near term



# Covid-19 Updates

## Over 85% of the UK population is vaccinated

- About 85.7% of the UK population aged 12 and over have received two doses of Covid-19 vaccination, while 91.7% have received the first dose. About 67.2% has received booster or third dose<sup>(1)(2)</sup>
- Almost all Covid-19 restrictions in England was ended in July 2021 and in January 2022, 'Plan B' measures that have been temporarily imposed to slow the spread of the more recent Omicron variant of the coronavirus have been lifted<sup>(3)</sup>



### Notes:

1. Up to and including 20 March 2022.
2. Coronavirus.data.gov.uk website.
3. Reuters, UK PM Johnson speeds up plan to end Covid-19 self-isolation rule, 9 February 2022
4. Covid-19 Response: Autumn and Winter Plan 2021, September 2021.

## UK's Covid-19 Pandemic Management Plan<sup>(4)</sup>

- Plan A and Plan B have been outlined to manage the situation
- Hinges on the National Health Service's (NHS) ability to cope with the development of Covid-19 and seasonal flu during winter

1

### Plan A

- Continuing with the country's vaccination and tracing efforts and providing support to the NHS

2

### Plan B

- Contingency measures should the NHS face unsustainable pressures, which includes mandatory face coverings, vaccinated-only individuals in certain settings and people to work from home again, subject to how the situation pans out

# Key Investment Merits

1

## **Attractive & resilient yields through economic cycles**

Over 99% leased to the AA-rated UK Government

2

## **Geographically diversified**

A network of assets across the UK covering strategic regional cities

3

## **Crucial public infrastructure**

Primarily occupied by the Department for Work and Pensions

4

## **Well-located assets**

Primarily in town centres, close to transportation nodes & amenities

5

## **Future growth potential**

Acquisition pipelines, asset enhancement & redevelopment potential



# Thank You

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## Section VI Appendix



**Nutwood House, Canterbury**



# Crucial Public Infrastructure

Primary occupier is Department for Work & Pensions



## UK's Largest Public Service Department

- Responsible for welfare, pensions and child maintenance policy
- **Over 23 million claimants**<sup>(1)</sup>; **£212.4 billion** benefit spent in FY20/21 and **£218.3 billion** benefit planned for FY21/22<sup>(2)</sup>
- Services provided primarily via Jobcentre Plus centres (“**JCP**”)
- Integral in **supporting UK's social fabric**

## Front Line in UK's Emergency Economic Response

- Leading UK's national recovery through Plan for Jobs and more
- In March 2021, the **UK Government met its pledge to recruit 13,500 new Work Coaches**<sup>(3)</sup> which has boosted jobseeker support in towns and cities UK-wide, in one of their fastest and largest ever recruitment rounds<sup>(4)</sup>
- JCP locations **remained open** throughout the nation's first, second and third lockdowns to process and disburse benefits to claimants
- Covid-19 situation does not trigger force majeure or termination clauses of the leases with the UK Government

## Built-in Upside from Inflation-Linked Rental Uplift

- Rent reviews in the fifth year (2023) for UK Government leases
- Based on the UK Consumer Price Index (“**CPI**”), subject to an annual **minimum increase of 1.0% and maximum of 5.0%**

### Notes:

1. “National Statistics, DWP benefits statistics: August 2021”, Gov.UK, 3 September 2021
2. “Corporate report, DWP Annual Report & Accounts 2020 to 2021”, Gov.UK, 15 July 2021
3. Work Coaches provide jobseekers with tailored support to build their skills, develop CVs and find new jobs in expanding sectors
4. “Government delivers 13,500 Work Coaches to boost Britain's Jobs Army”, Gov.UK, 29 March 2021

# Crucial Public Infrastructure

For the provision of essential social welfare services by DWP

## Front of house – primarily Jobcentre Plus and other ancillary services

Front of House<sup>(1)</sup>  
85.6%<sup>(2)</sup>

1

### Jobcentre Plus - Usage highly correlated with unemployment

- Staff readily on hand to assist customers with mock interviews, “Back to Work” plan, etc.
- Computers and free wifi for customers to job-surf, write CVs or make claims

2

### Pension Services - Usage expected to increase as population ages

- Face-to-face meetings to claim benefits
- IT training to assist retirees with no internet access or difficulty using online services

3

### Child Maintenance Services - Stable usage regardless of economic conditions

- Face-to-face meetings to discuss more complicated child maintenance cases
- Registration and declaration of child maintenance received

4

### Disability Services - Stable usage regardless of economic conditions

- On-site medical examination centres as part of the Work Capability Assessment for disability benefit
- Training programmes such as Specialist Employability Support and Work and Health Programmes



Department  
for Work &  
Pensions

## Back of house – various support functions without public-facing element

Back of House  
14.4%<sup>(2)</sup>

5

### Support functions – Usually larger, critical centres for supporting the administration of DWP services

- Service roll out planning (e.g. Universal Credit)
- Claims processing, finance and accounts
- Fraud detection and investigation
- Call centre & IT support

#### Notes:

1. Including mixed use properties with a medical centre, back office or retail component in addition to the Jobcentre Plus.

2. Of DWP's assets in the portfolio post-maiden acquisition.

# Future-Proofing the REIT

## Enhancing tax efficiencies by joining the UK REIT regime



**Successful technical listing** of UK entity, Elite UK Commercial Holdings Limited<sup>(1)</sup> (“ECHL”), on The International Stock Exchange (“TISE”) with effect from 26 Aug 2021

### What this means:

- 1 Level playing field**  
ECHL and its subsidiaries qualified as a UK REIT group and tax treatment is now broadly on par with that of other listed UK REITs
- 2 Tax exemption**  
UK entities enjoy UK corporate tax exemption for its UK property rental business income and gains under the UK REIT regime
- 3 Technical listing**  
100% of the shares in ECHL continue to be held by Elite Commercial REIT; there is no trading of ECHL shares
- 4 Elimination of deferred tax liabilities**  
Individual properties’ historical valuation is allowed to be rebased to the current valuation upon entry, compared to non-UK REITs  
  
Therefore, the corresponding provision of deferred tax liabilities is expected to be eliminated

### Immediate Benefits:



#### Lower tax expenses

Reduced applicable headline tax rate from 19% to 15%<sup>(2)</sup>

### Future Benefits:



#### Protects from future tax rises

Exemption from UK corporation tax, which is currently at 19% and is legislated to rise to 25% from 1 April 2023



#### On future corporate acquisitions

Any unrealised gains<sup>(3)</sup> on the properties upon entry is expected to be eliminated

#### Notes:

- Independent Director Nicholas David Ashmore and Chief Investment Officer Jonathan Edmunds have been appointed as directors of ECHL to meet the UK resident director requirement of a listed REIT entity.
- Pursuant to the Double Taxation Treaty between the UK and Singapore, any UK withholding tax applicable on UK property income distributed by ECHL to Elite Commercial REIT is expected to be limited to 15%.
- And its corresponding provision of deferred tax liabilities.

# Typical Lease Arrangements for the UK Office Sector



- **Lease terms:**
  - Lease terms are fixed and typically for 5-10 years
- **Rent increase/review:**
  - Rents are reviewed against the open market rent typically every 5 years. Reviews for shorter leases may be more frequent. Commercial leases typically impose upward only rent reviews which allow for rents to be increased but never decreased
- **Service charge:**
  - The tenant is responsible for pro-rated share in addition to the rent, payable quarterly
- **Break clauses:**
  - The landlord may grant a break clause which gives one or either party the right to end the lease sooner by giving notice either at any time or between specified dates
- **Assignment/Subletting:**
  - Landlords' approval for subletting and assignment is generally not to be unreasonably withheld but parameters are set out in the lease terms. Subleases are often granted outside the protection of the Landlord and Tenant Act 1954 (as amended)
- **Repairs and insurance:**
  - Usually, the tenant will have direct responsibility for repairing the internal parts included in the lease terms and the landlord will agree to repair and insure the external structure and the common parts retained by the landlord. The landlord's costs for repairs and insurance are typically borne by the tenants via the service charge
  - Tenants will usually be made responsible for the regular redecoration of the premises let out under the leases
- **Alterations:**
  - The landlord may restrict alterations that can be made to the demise and alterations will usually require the landlord's consent. The landlord has the right to insist that the tenant removes the alterations and restores the premises at the end of the lease
- **Dilapidations:**
  - The tenant has the responsibility to return the building to its original condition at the end of the lease. The term 'dilapidations' is normally used to cover defects and disrepair that the tenant will be required to deal with or pay to have remedied when they vacate the premises at the end of the lease. Landlords cannot generally make dilapidations claims earlier than three years before the end of the lease

# Elite Commercial REIT Sponsors



Elite Partners Capital

## Elite Partners Holdings Pte. Ltd. ("EPH")

- The investment holding firm for Elite Partners Group, established to deliver lasting value for investors based on common interests, long-term perspectives and a disciplined approach
- Backed by a team with proven expertise in private equity and REITs
- Investment philosophy aims to protect investors' initial capital, enhance investment value and create new growth opportunities



## Ho Lee Group Pte. Ltd. ("HLG")

- Incorporated in 1996 through the amalgamation of various construction-related businesses, and acquired Wee Poh Construction Co. Pte. Ltd. in 2005
- Extensive experience in development of industrial and residential properties
- One of the major sponsors of Viva Industrial Trust during its IPO listing in November 2013



## Sunway RE Capital Pte. Ltd. ("Sunway")

- Wholly-owned subsidiary of Sunway Berhad, one of Malaysia's largest conglomerates
- Has businesses in property development, property investment and REIT, construction, healthcare, hospitality, leisure, quarry, building materials, and trading and manufacturing
- Sunway Berhad Group comprises three public listed entities: Sunway Berhad, Sunway Construction Group Berhad and Sunway REIT