

**ELITE COMMERCIAL REIT REPORTS DPU OF 3.79 PENCE FOR 9M 2022;  
EXTENSION OF £94 MILLION LOAN FACILITY  
AHEAD OF JANUARY 2023 MATURITY**

- *High portfolio occupancy of 97.9% as at 30 September 2022, with 99.9% of rent collected in advance for the period of three months to 31 December 2022*
- *Successfully extended £94 million loan facility ahead of January 2023 maturity for another two years with new maturity in January 2025*

**Summary of Financial Results**

	9M 2022	9M 2021	Variance (%)
<b>Revenue (£'000)</b>	27,906	25,307	10.3
<b>Income generated during the period for distribution to Unitholders (£'000)</b>	18,166	18,217	(0.3)
<b>Distributions per Unit (“DPU”) – pence</b>	3.79 <sup>(1)</sup>	4.11 <sup>(2)</sup>	(7.8)

**SINGAPORE, 4 November 2022** – Elite Commercial REIT Management Pte. Ltd., the manager (the “**Manager**”) of Elite Commercial REIT (the “**REIT**”), today announced its business update for the nine-month period ended 30 September 2022 (“**9M 2022**”), where the REIT reported revenue growth of 10.3% to £27.9 million compared to a year ago (“**9M 2021**”) and stable distributable income to unitholders of £18.2 million.

9M 2022 DPU declined 7.8% to 3.79 pence, mainly due to the election of the Manager’s fees in cash, increased borrowings for the full period and interest cost on borrowings as well as an enlarged equity base year-on-year. This was partially offset by the full period of rental contribution from the REIT’s maiden acquisition and tax savings from a lower headline tax rate.

The REIT’s portfolio is 97.9% occupied as at 30 September 2022, with 99.9% of rent for the three-month period from October to December 2022 collected in advance and within seven days of the due date. The portfolio’s weighted average lease expiry (“**WALE**”) was 5.0 years as at 30 September 2022.

<sup>1</sup> Includes the 1H 2022 Interim Distribution of 2.56 pence per Unit declared on 5 August 2022 and paid on 22 September 2022.

<sup>2</sup> Includes the Advanced Distribution of 0.90 pence per Unit declared on 26 February 2021 and paid on 15 April 2021.

### **Extension of Loan Facility Ahead of January 2023 Maturity**

On 31 October 2022, the Manager has completed the extension exercise for the £94 million in borrowings ahead of the January 2023 loan maturity with the existing financial institutions. The extended loan facility will now mature on 25 January 2025, with a built-in extension option of one year from new loan maturity date, subject to certain financial covenants.

Adjusting for the impact of the loan extension as at 30 September 2022, the aggregate borrowing cost post-extension is approximately 4.2%, with improved weighted average debt maturity of 2.2 years and 68% of interest rate exposure fixed. The Group remains well-capitalised and enjoys excellent working relationships with funding partners and banks.

### **Establishment of S\$300 million Multicurrency Debt Issuance Programme**

The Manager recently established a S\$300 million multicurrency debt issuance programme (“**Programme**”), under which Perpetual (Asia) Limited (in its capacity as trustee of Elite Commercial REIT), may issue notes and/or perpetual securities. CIMB Bank Berhad, Singapore Branch has been appointed as the sole arranger and dealer under the Programme.

**Ms Shaldine Wang, Chief Executive Officer of the Manager** said: “Our portfolio’s financial performance remains resilient despite the ongoing volatile macroeconomic environment, both globally and in the UK. The Manager is focused on a unique class of commercial assets with over 99% leased to the UK Government, and is therefore well-positioned to continue to provide income certainty and visibility. This further validates our investment thesis as a stable REIT with the unique attributes to remain resilient through economic cycles and provide room for growth with built-in inflation-linked rental step-up.

“Additionally, we have also completed the extension of the £94 million loan facility ahead of schedule, removing uncertainties pertaining to upcoming debt maturities in a volatile market. It reflects the prudent capital management efforts taken by the Manager to augment the financial position of the REIT.”

## Updates on Sustainability Enhancement Works

Together with the Department for Work and Pensions (“DWP”), the Manager has made good progress in terms of sustainability enhancement works on various DWP-occupied properties in the REIT to optimise energy use. Some examples of planned and ongoing works include the replacement of existing variable refrigerant system, gas- or oil-fueled boilers and air-conditioning systems with more efficient systems, as well as roofing replacement.

In particular, the Manager is pleased to update that the Energy Performance Certificate (“EPC”) Rating for Bradmarsh Business Park, Rotherham has been upgraded from D to B, following the upgrade of heating/HVAC system<sup>3</sup> and the installation of new LED lighting inside the building and in the car park.

## Strong Fundamentals Amidst Volatile Macroeconomic Environment

Post-extension of the £94 million loan facility on 31 October 2022, the REIT no longer has material loan coming due in financial year 2023. With 68% of the REIT’s interest rate exposure fixed, the impact of rising rates is expected to be largely mitigated.

Elite Commercial REIT’s assets, liabilities and distributions are all denominated in British pounds, providing a natural hedge which limits foreign currency exchange impact to only unitholder investments made in other currencies, and unitholders who have opted to receive distributions in Singapore dollars. The Manager continues to monitor the political and market developments in the UK closely.

The REIT’s fundamentals remain stable, with all leases on full repairing and insuring basis<sup>4</sup>, where operational expenses of the properties are borne by the tenant. Despite rising inflation and interest rates in the UK, a majority of our properties have inflation-linked rental escalation clauses built into the leases, presenting potential upside from April 2023. Most of them are 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.

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<sup>3</sup> HVAC refers to the heating, ventilation and air-conditioning system responsible for heating and cooling the building.

<sup>4</sup> 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.

## Outlook and Prospects

The UK's Gross Domestic Product ("GDP") is estimated to have fallen by 0.3% in August 2022 after a growth of 0.1% in July 2022 (revised down from 0.2%). It is now estimated to be at the same level as its pre-coronavirus levels (February 2020). The production sector, which fell 1.8% in August 2022, was the main contributor to the fall in GDP<sup>5</sup>.

The latest projection by the Bank of England's ("BoE") Monetary Policy Committee ("MPC") described a very challenging outlook for the UK economy<sup>6</sup>. GDP is expected to decline by around 0.75% during 2H 2022, in part reflecting the squeeze on real incomes from higher global energy and tradable goods prices<sup>6</sup>.

CPI inflation was 10.1% in the 12 months to September 2022 and is projected to pick up to around 11% in 4Q 2022, lower than was expected in August, reflecting the impact of the Energy Price Guarantee ("EPG")<sup>6</sup>. The figure for September matches the 40-year high reached in July<sup>7</sup>. In response to high inflation, the BoE has raised interest rates by 0.75 percentage points to 3% as at 3 November 2022<sup>6</sup>.

The unemployment rate for June to August 2022 decreased by 0.3 percentage points on the quarter to 3.5%, the lowest rate since December 1973 to February 1974<sup>8</sup> period. Despite three consecutive quarterly falls, the job vacancy numbers remain at historical highs. The labour market remains tight, although there are signs that labour demand has begun to ease<sup>6</sup>.

Claimant count for the month of August 2022 was at 1.37 million, an increase of 0.4% month-on-month and a decrease of 4.4% compared to the last quarter respectively. Compared to a year ago, it is a decrease of 31.6%<sup>9</sup>. Although unemployment claimants have been falling over the past year, it is noted that job vacancies remain significantly high, emphasising the importance of DWP's services to the UK citizens in providing job matching services.

Elite Commercial REIT is well-positioned to continue providing stable and visible income, with over 99% of its portfolio leased to the UK Government, with its main occupier being the UK's

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<sup>5</sup> Office for National Statistics, *GDP monthly estimate, UK: August 2022*, 12 October 2022.

<sup>6</sup> Bank of England *Monetary Policy Summary*, November 2022.

<sup>7</sup> Office for National Statistics, *Consumer price inflation, UK: September 2022*, 19 October 2022.

<sup>8</sup> *Labour market overview, UK: October 2022*, 11 October 2022.

<sup>9</sup> *Alternative claimant count statistics January 2013 to August 2022*, 11 October 2022.



Department for Work and Pension (“DWP”), the largest public service department responsible for administering the country’s state pension, welfare and child maintenance policy.

The Manager remains on the lookout for growth opportunities and these may be available to the REIT through its Sponsors’ right of first refusal pipeline or from the open market. Elite Commercial REIT is expected to continue providing a stable income to its unitholders as it continues to collect almost 100% of its rent in advance or on time.

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## About Elite Commercial REIT

Elite Commercial REIT (the “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 REIT listed in Singapore.

The REIT’s portfolio (“Portfolio”) comprises 155 predominantly freehold<sup>10</sup> quality commercial buildings located across the UK with an aggregate value of £517.7 million<sup>11,12</sup>. The Portfolio has a total net internal area of approximately 3.9 million square feet and a total site area of approximately 72 hectares. 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 and a long weighted average lease expiry of 5.0 years<sup>13</sup>. All the leases are on full repairing and insuring<sup>14</sup> (“FRI”) basis and a majority of them 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. DWP is a uniquely resilient occupier and the Portfolio is part of the crucial public infrastructure through which DWP provides services to the community.

The 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.



For more information, please visit  
<https://elitecreit.com/>



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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 30 June 2022.

<sup>12</sup> Portfolio value is the fair value of investment properties (based on valuation report).

<sup>13</sup> As at 30 September 2022.

<sup>14</sup> 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.



## **IMPORTANT NOTICE**

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