ELITE COMMERCIAL REIT

ELITE COMMERCIAL REIT REPORTS DPU OF 0.94 PENCE FOR 1Q 2023; POSITIVE OUTCOME FROM RENT ESCALATION REVIEW

- ***Rent escalation of 21.07% and 15.28% for seven and 127 assets respectively commencing 1 April 2023***
- ***Net annualised rent escalation of 13.1% for 136 assets***
- ***99.9% of rent collected in advance for the period of three months***
- ***Portfolio WALE at 4.5 years***
- ***Lease extensions by another six months each for two vacating assets***

Summary of Financial Results

	1Q 2023	1Q 2022	Variance (%)	4Q 2022	Variance (%)
Revenue (£'000)	9,171	9,210	(0.4)	9,169	0.0
Amount generated during the period for distribution to Unitholders (£'000)	4,536	6,137	(26.1)	4,930	(8.0)
Available Distribution per unit ("DPU") – pence	0.94	1.28	(26.6)	1.02	(7.8)

SINGAPORE, 27 April 2023* – Elite Commercial REIT Management Pte. Ltd.*, the manager (the **"Manager**") of Elite Commercial REIT (the "**REIT**"), today announced its business update for the three months ended 31 March 2023 ("**1Q 2023**") where the REIT reported a revenue of £9.2 million and distributable income to unitholders of £4.5 million. 1Q 2023 available DPU declined 26.6% year-on-year to 0.94 pence, mainly due to increased borrowing costs, lower revenue from vacancies as well as an enlarged equity base year-on-year.

The REIT's portfolio is 97.9% occupied as at 31 March 2023, with 99.9% of rent for the three-month period from April to June 2023 collected in advance and within seven days of the due date. The portfolio's weighted average lease expiry (**"WALE"**) was 4.5 years as at 31 March 2023.

Positive Outcome from Rent Review

A total of 136 out of 155 assets were up for rent escalation review on 1 April 2023. Of these, 134 assets have their rent escalation pegged to the UK Consumer Price Index (**"CPI"**) while the remaining two have rents based on open market rent. Out of the 134 assets, 11 of them have agreed rent reductions[1] in exchange for the removal of their break options.

Based on the respective lease agreements, the rent escalations are 15.28% for 127 of the assets and 21.07% for the rest of the seven assets. All of the 136 assets are occupied by the Department for Work and Pensions, except for one which is occupied by the Ministry of Defence.

The revised rent per annum for all 136 assets effective 1 April 2023 comes in at £36.0 million, representing a net annualised rent escalation of 13.1% compared to the rent per annum as at 31 March 2023 of £31.8 million.

Ms Shaldine Wang, Chief Executive Officer of the Manager said: "We are pleased with the outcome of the rent escalation review, where the rent uplift will help to mitigate the increased borrowing costs amidst the recent interest rate hikes and effectively offsetting the impact of the reduction in rent contribution from vacant and vacating assets. We have also managed to secure lease extensions by another six months for two of the vacating assets, hence providing us with more time to execute our asset management strategies for these assets.

"The REIT's assets remain stable in terms of its income profile despite volatile macroeconomic conditions globally. Our unique portfolio of commercial assets majority leased to the UK Government as crucial public infrastructure supporting the UK social fabric continue to be resilient. We have consistently collected our rents a quarter in advance, in full and on time since listing, hence securing our distributions ahead of time. With majority of the leases secured all the way till 2028, our portfolio continues to provide income certainty and visibility to our unitholders.

"We continue to be focused on maximising value and delivering sustainable value for our unitholders, through execution of asset management strategies and in realising sustainability enhancement works on various properties. Prudent capital and balance sheet management will go hand-in-hand with our overall business strategy in bringing our gearing to a more comfortable level, even as we continue to have our sights on potential opportunities for growth."

[1] The rent reductions could range between 25% and 50% depending on the respective negotiated outcome and is applied simultaneously with the rent escalation.

Recognition for Sustainability Efforts

With the Manager's strong emphasis on sustainability, the REIT has been recognised with a Gold award in the Asia's Best Sustainability Report (First Time) category at the recent 8th Asia Sustainability Reporting Awards (**"ASRA"**).

The REIT underwent three vigorous rounds of assessment, which makes up the multi-tier evaluation process for this award. A firm's reputation among their stakeholders is taken into consideration as well when choosing the best in each award category.

The Manager believes that sustainability is a key factor towards delivering long-term, sustainable value to the REIT's stakeholders. This involves integrating sustainability considerations into the REIT's overall business strategy.

Outlook and Prospects

The UK's economy is estimated to be flat in February 2023 after a growth of 0.4% in January 2023 (revised up from 0.3%), where falls in services and production were offset by growth in construction[2]. The latest monthly gross domestic product ("**GDP**") is now estimated to be 0.3% above its pre-coronavirus levels in February 2020[2].

The latest projection by the Bank of England's (**"BoE"**) Monetary Policy Committee (**"MPC"**) painted a slightly positive outlook for the UK economy. GDP is now expected to increase slightly in the second quarter, compared with the 0.4% decline predicted back in the February Report. This was largely due to the ongoing Government's Energy Price Guarantee (**"EPG"**) policy, which prevents a significant fall in real household disposable income[3].

CPI rose by 10.1% in the 12 months to March 2023, down from 10.4% in February 2023[4]. The largest contribution to the fall in CPI figures came from motor fuels and housing and household services (particularly liquid fuels), partially offset by upward contributions from food, and recreation and culture. BoE's MPC has set its monetary policy to meet the 2% inflation target to help sustain growth and employment and voted in March 2023 to raise interest rates again, by 0.25 percentage points, to 4.25%[3].

[2] *Office for National Statistics, GDP monthly estimate, UK: February 2023, 13 April 2023.*
[3] *Bank of England, Monetary Policy Summary, 23 March 2023.*
[4] *Office for National Statistics, Consumer price inflation, UK: March 2023, 19 April 2023.*

The UK's unemployment rate rose by 0.1 percentage points to 3.8% in the three months to February 2023[5]. At the same time, vacancies fell for the ninth consecutive quarter and reflects uncertainty across the various industries, as survey respondents continue to cite economic pressures as a factor in holding back on recruitment[5].

Claimant count for people claiming unemployment-related benefits from DWP in March 2023 stood at nearly 1.53 million, 8.4% lower from a year ago[6]. Despite the falling numbers, DWP's services remain essential and integral in supporting UK's social fabric.

Elite Commercial REIT is expected to continue providing a stable income to its Unitholders as it continues to collect almost 100% of its rent a quarter in advance.

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[5] Office for National Statistics, Labour market overview, UK: April 2023, 18 April 2023.
[6] Office for National Statistics, Claimant Count, UK, April 2023, 18 April 2023.

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About Elite Commercial REIT

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[7] quality commercial buildings located across the UK with an aggregate value of £466.2 million[8,9]. The Portfolio has a total net internal area of approximately 3.9 million square feet and a total site area of approximately 72 hectares.

The Portfolio offers a stable cash flow with over 99.0% of the gross rental income derived from the AA-credit rated UK Government and a long weighted average lease expiry of 4.5 years. The leases are on full repairing and insuring[10] ("**FRI**") basis and 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.

The REIT is a constituent of the FTSE All-Share Index and FTSE ST Small Cap Index, iEdge S-REIT Index, iEdge SG Real Estate Index and iEdge SG ESG Transparency Index, among other relevant indices by FTSE, MSCI and Global Property Research (**"GPR"**).

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

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[7] Of the 155 properties, 150 properties are freehold properties and 5 properties are on long leasehold tenures.
[8] As at 31 December 2022.
[9] Portfolio value is the fair value of investment properties, based on independent professional valuations.
[10] 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 for occupied assets.

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.