



Elite Commercial REIT

# 3Q 2023 Business Updates

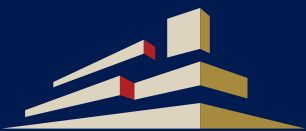
7 November 2023





## Section I

# Overview and 3Q 2023 Highlights



ELITE COMMERCIAL REIT

Peel Park, Blackpool



# Singapore-listed UK REIT

Government facilities providing critical services to local communities<sup>(1)</sup>



Freehold and Long Leasehold Assets<sup>(2)</sup>



## Triple Net

Full Repairing & Insuring Leases<sup>(3)</sup>



**3.8**

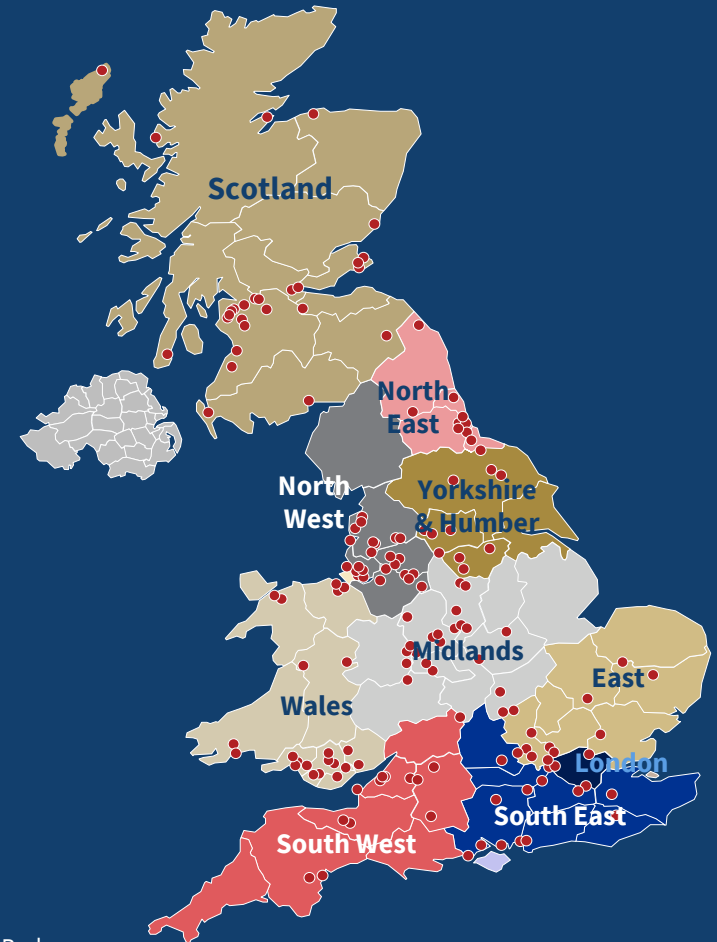
Million Square Feet of Net Lettable Area



**4.3**

Years Weighted Average Lease Expiry

Geographically Diversified with a network of strategically well-located assets across the UK



### Elite Commercial REIT's Sponsors:



### Notes:

1. A majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities, which is a Crown Body.
2. 147 properties are on freehold tenures and five properties are on long leasehold tenures.
3. 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.

# 3Q 2023 and 9M 2023 Highlights



9M 2023 Revenue

**£28.5 million**

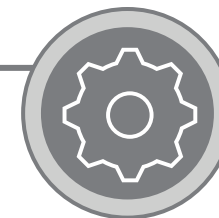
▲ 2.0% y-o-y



9M 2023  
Available DPU<sup>(1)</sup>

**2.82 pence**

▼ 25.6% y-o-y



Gearing Ratio<sup>(2)</sup>

**45.4%**

▼ ~60 basis points



Divestments<sup>(3)</sup>

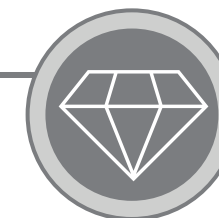
**£3.4 million**

▲ 12.2% above valuation



Recycled  
Gross Proceeds<sup>(4)</sup>

**£11.4 million**



Stable NAV

per unit as at 30 September 2023

**£0.51**

## Notes:

1. Based on 100% payout ratio. At 90% payout ratio, the DPU for 9M 2023 is 2.53 pence.
2. Pro forma for net recycled proceeds from the divestment of an asset and dilapidation settlements that were used to repay loans in October 2023. As at 30 September 2023, the gearing ratio is 45.8%.
3. Includes divestments completed and agreed in October 2023, after the end of the financial quarter ended 30 September 2023.
4. Includes dilapidation settlements for nine assets as at 25 October 2023 and expected gross disposal proceeds from the divestment of five assets.





Ward Jackson House,  
Hartlepool



ELITE COMMERCIAL REIT

Section II

3Q 2023

Financial Performance

# Financial Position

	30 Sep 2023 £'000	31 Dec 2022 £'000
Non-current assets <sup>(1)</sup>	455,321	460,042
Current assets	33,845	26,753
<b>Total assets</b>	<b>489,166</b>	<b>486,795</b>
Non-current liabilities	223,650	216,468
Current liabilities	19,655	22,426
<b>Total liabilities</b>	<b>243,305</b>	<b>238,894</b>
<b>Net assets / Unitholders' funds</b>	<b>245,861</b>	<b>247,901</b>
<b>Units in issue and issuable ('000)</b>	<b>482,966</b>	<b>481,128</b>
<b>Net asset value per Unit (£)</b>	<b>0.51</b>	<b>0.52</b>

**Note:**

1. Comprise mainly of investment properties, which are stated at their fair values, based on independent professional valuations undertaken by Knight Frank LLP as at 31 December 2022.



# Financial Highlights – 9M 2023 vs 9M 2022



	9M 2023	9M 2022	
	Actual £'000	Actual £'000	Variance %
Revenue	28,473 <sup>(1)</sup>	27,906	▲ 2.0
Net Property Income	32,454 <sup>(1)</sup>	26,963	▲ 20.4
Amount generated during the period for distribution to Unitholders	13,599	18,166	▼ 25.1
Available Distribution per unit (“DPU”) - pence	2.82 <sup>(2)</sup>	3.79	▼ 25.6

## Factors influencing the year-on-year performance:

- Higher revenue derived from rent escalations, offset by eight vacant assets going offline on 1 April 2023
- Dilapidation settlement on vacant assets
- Increased borrowing costs, offset by decline in debt levels
- Marginally enlarged equity base year-on-year

### Notes:

1. Includes £20,000 of straight-line rent adjustments.
2. Based on 100% payout ratio. At 90% payout ratio, the DPU for 9M 2023 is 2.53 pence.

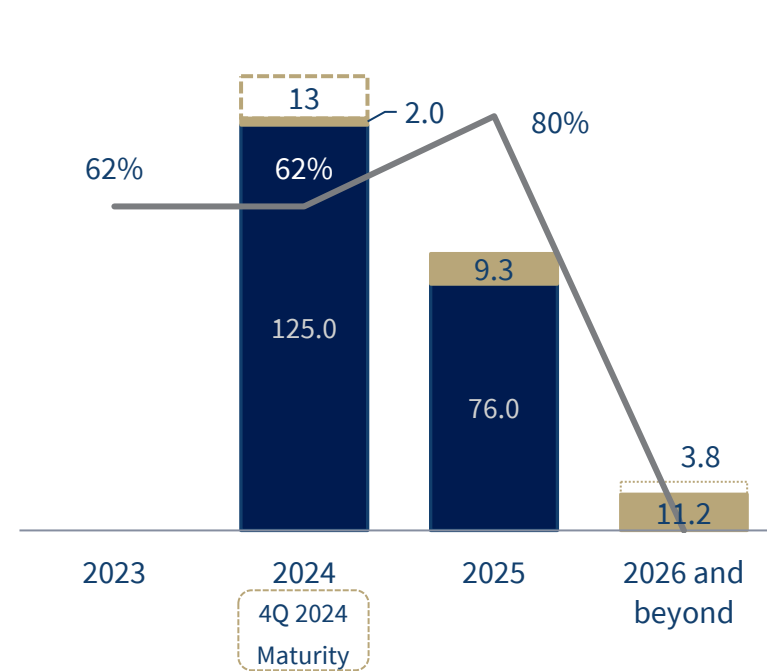
# Capital Management

## No near-term debt maturity until 4Q 2024

- ✓ Naturally hedged against foreign exchange fluctuations
- ✓ 62% of interest rate exposures fixed
- ✓ Compliant with all debt facilities' financial covenants
- ✓ Every 100 basis points increase in interest rate will impact DPU by approximately 5%
- ✓ Every £5 million of debt repayment will reduce gearing by approximately 60 basis points

	30 Sep 2023	30 Jun 2023
<b>Total Debt</b>	£223.5m	£224.0m
<b>Gearing Ratio</b>	45.8%	46.0%
<b>Borrowing Costs</b>	5.3%	5.2%
<b>Weighted Average Debt Maturity</b>	1.3 years	1.5 years
<b>Interest Coverage Ratio</b>	3.3x	3.4x
<b>Interest Rate Hedged / Fixed</b>	62%	62%
<b>Proportion of Unencumbered Assets<sup>(1)</sup></b>	62%	61%
<b>Available Debt Headroom<sup>(2)</sup></b>	~£40m	~£39m

### Elite REIT's Debt Maturity Profile and Percentage Hedged / Fixed



#### Notes:

1. Based on valuations; unencumbered assets refer to properties without land mortgages.
2. Based on gearing limit of 50%.

Undrawn Capacity

Term Loan Facility

Revolving Credit Facilities

Percentage Hedged/Fixed





Nutwood House,  
Canterbury



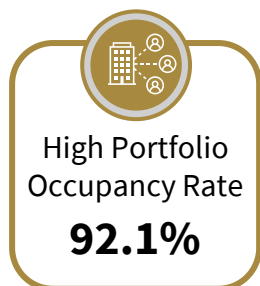
Section III

3Q 2023

Portfolio Performance

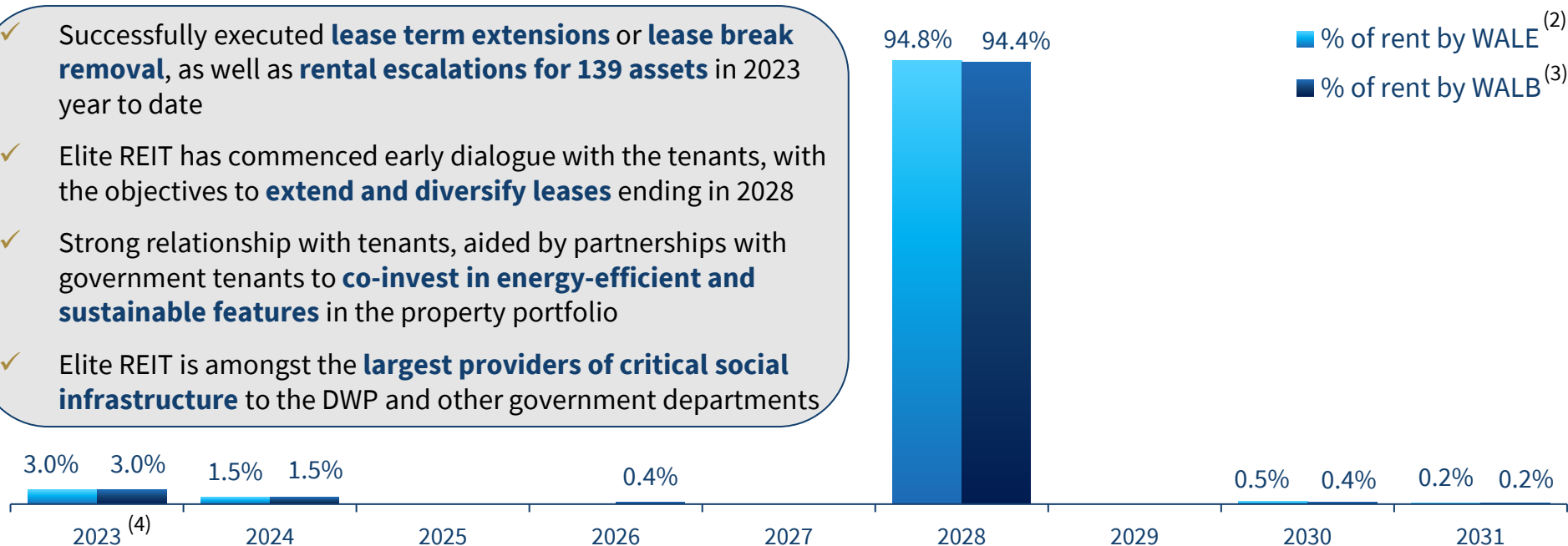


# Full Income Visibility from Government Leases



## Lease Expiry Profile as at 30 September 2023 (% of total portfolio rent)<sup>(1)</sup>

- ✓ Successfully executed **lease term extensions** or **lease break removal**, as well as **rental escalations** for **139 assets** in 2023 year to date
- ✓ Elite REIT has commenced early dialogue with the tenants, with the objectives to **extend and diversify leases** ending in 2028
- ✓ Strong relationship with tenants, aided by partnerships with government tenants to **co-invest in energy-efficient and sustainable features** in the property portfolio
- ✓ Elite REIT is amongst the **largest providers of critical social infrastructure** to the DWP and other government departments



### Notes:

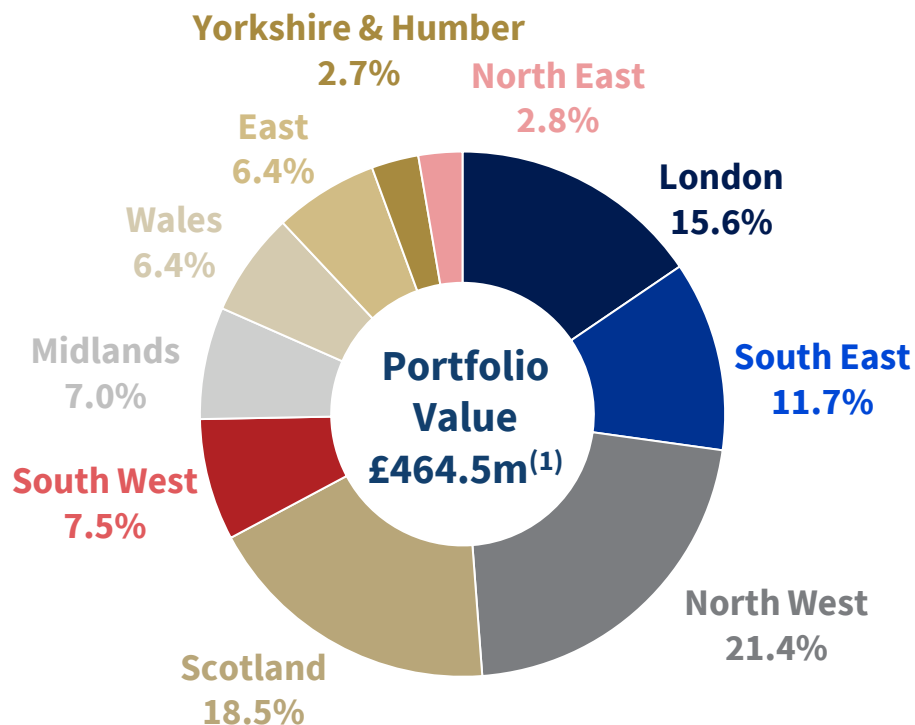
1. Discrepancies between the listed figures and totals thereof are due to rounding.
2. Percentage of rent by WALE (Weighted Average Lease to Expiry) – Based on the final termination date of the lease agreement (assuming the tenant does not terminate the lease on the permissible break dates).
3. Percentage 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.
4. Mainly attributable to Hilden House, Warrington and holdover rents for two assets undergoing lease renewals that are expected to complete in 4Q 2023.



# Diversified & Stable Portfolio

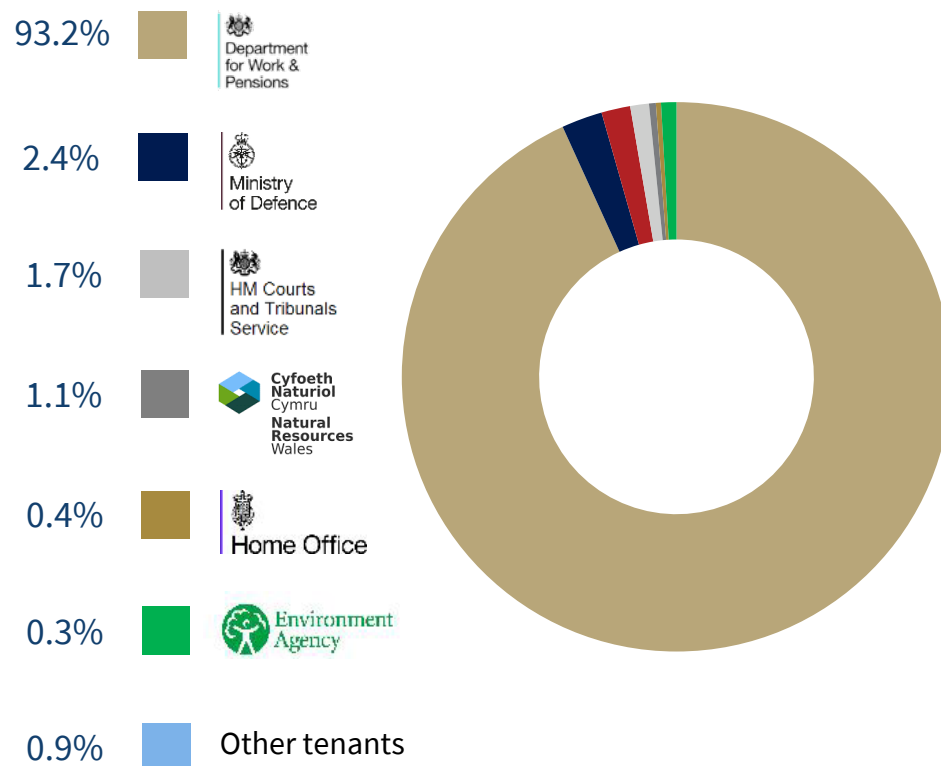
- **Unique asset class:** Network of social infrastructure assets serving the local communities
- **Geographically diversified:** Located across the UK covering regional cities, providing strong asset base
- **Strategically located:** Located primarily in town centres, close to transportation nodes and amenities

## Geographical Breakdown by Valuation<sup>(1)</sup>



- **Resilient tenant base:** Diversified tenant mix backed by AA-rated UK sovereign credit strength
- **Credit stability & income certainty:** Leases signed directly with the Secretary of State<sup>(2)</sup>
- **Secured distributions:** Consistent rental collection in advance since listing

## Tenant Breakdown by Gross Rental Income<sup>(3)</sup>



### Notes:

1. Asset valuation as at 31 December 2022, excluding the completed divestments of Openshaw Jobcentre, Manchester; Cardwell Place, Blackburn; and Leeds Road, Bradford as at 30 September 2023.
2. A majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities, which is a Crown Body.
3. As at 30 September 2023.



job  
centre  
plus



Section IV

# Asset Management Updates

Crown House, Grantham



# Strategies to Maximise Value

We are progressing on our action plans on Elite REIT's vacant portfolio

- ✓ Assets are located primarily in town centres, close to transportation nodes and amenities
- ✓ Various potential alternative uses are available for the assets, depending on the real estate market conditions and economic dynamics of the submarkets



Negotiating for reasonable dilapidations settlement



Potential re-letting for commercial use or other uses



Seek redevelopment consent for 'highest and best use' for vacant assets



Disposal following re-letting or with vacant possession

No.	Assets	Valuation <sup>(1)</sup>	Dilapidation Settlement	Long-term Asset Strategy	
1	John Street, Sunderland	£500,000	Completed <sup>(2)</sup>	Divestments <sup>(3)</sup> were completed at £3.4 million, 12.2% above valuation	
2	Openshaw Jobcentre, Manchester	£475,000			
3	Cardwell Place, Blackburn	£500,000			
4	Leeds Road, Bradford	£690,000		Completed <sup>(2)</sup>	<b>Various ongoing asset management strategies</b> <ul style="list-style-type: none"> <li>▪ Re-letting as offices</li> <li>▪ Asset enhancements</li> <li>▪ Asset redevelopment</li> <li>▪ Divestment</li> </ul>
5	Crown House, Burton On Trent	£830,000			
6	Sidlaw House, Dundee	£1,800,000			
7	Lindsay House, Dundee	£2,050,000			
8	Ladywell House, Edinburgh	£4,800,000			
9	Hilden House, Warrington	£4,300,000			
10	St Paul's House, Chippenham	£900,000	In progress		
11	Victoria Road, Kirkcaldy	£650,000			
12	Crown Buildings, Caerphilly	£535,000			

**Notes:**

1. As at 31 December 2022, with the exception of the five divestments which were valued as at 31 July 2023.
2. Includes dilapidation settlements completed and agreed in October 2023, after the end of the financial quarter ended 30 September 2023.
3. Includes divestments completed and agreed in October 2023, after the end of the financial quarter ended 30 September 2023.

# Asset Management Strategy

Active engagements with current and potential occupiers

## Proactive Tenant Engagement

### Focus on Tenant Retention

- Engage with various UK Government agencies in order to understand their requirements and to better meet their needs
- Develop collaborations that would be mutually beneficial to both occupiers and landlord

### Expand on Sustainability Collaboration

- Collaborate with the DWP to deliver asset enhancement works that will improve the energy efficiency of DWP-occupied assets
- Broaden the successful sustainability collaboration with DWP to other occupiers in our portfolio

### Diversify Lease Expiries and Income Profile

- Negotiate best outcomes on future lease renewals whilst seeking to diversify lease expiries and income profile







Upper Huntbach Street,  
Stoke-On-Trent



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Section V

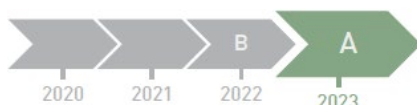
# Sustainability Efforts

# Commitment to ESG

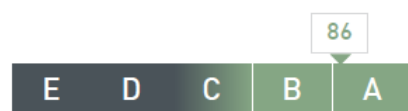
## Driving sustainable value for Unitholders

### ESG Ratings: GRESB 2023 Public Disclosure & Real Estate Assessment

Participation & Score



GRESB Public Disclosure Level



Global Average: B  
Comparison Group Average: A



Achieved 2023 GRESB  
Top Public Disclosure Level

**A 86**

18% improvement from its  
inaugural participation in 2022



Achieved 2023 GRESB  
Real Estate Assessment score of

**54%**

42% improvement from its  
inaugural participation in 2022

### Excellence in Corporate Governance & Transparency



Award nominee  
South East Asia 2023

Shortlisted as  
**Award Nominee  
in Four Categories**

for the prestigious IR Magazine  
Awards – South East Asia 2023

Maintained  
**Zero Incidents**  
of non-compliance/  
corruption



Majority  
**Independent Board**

### Environmental Efforts

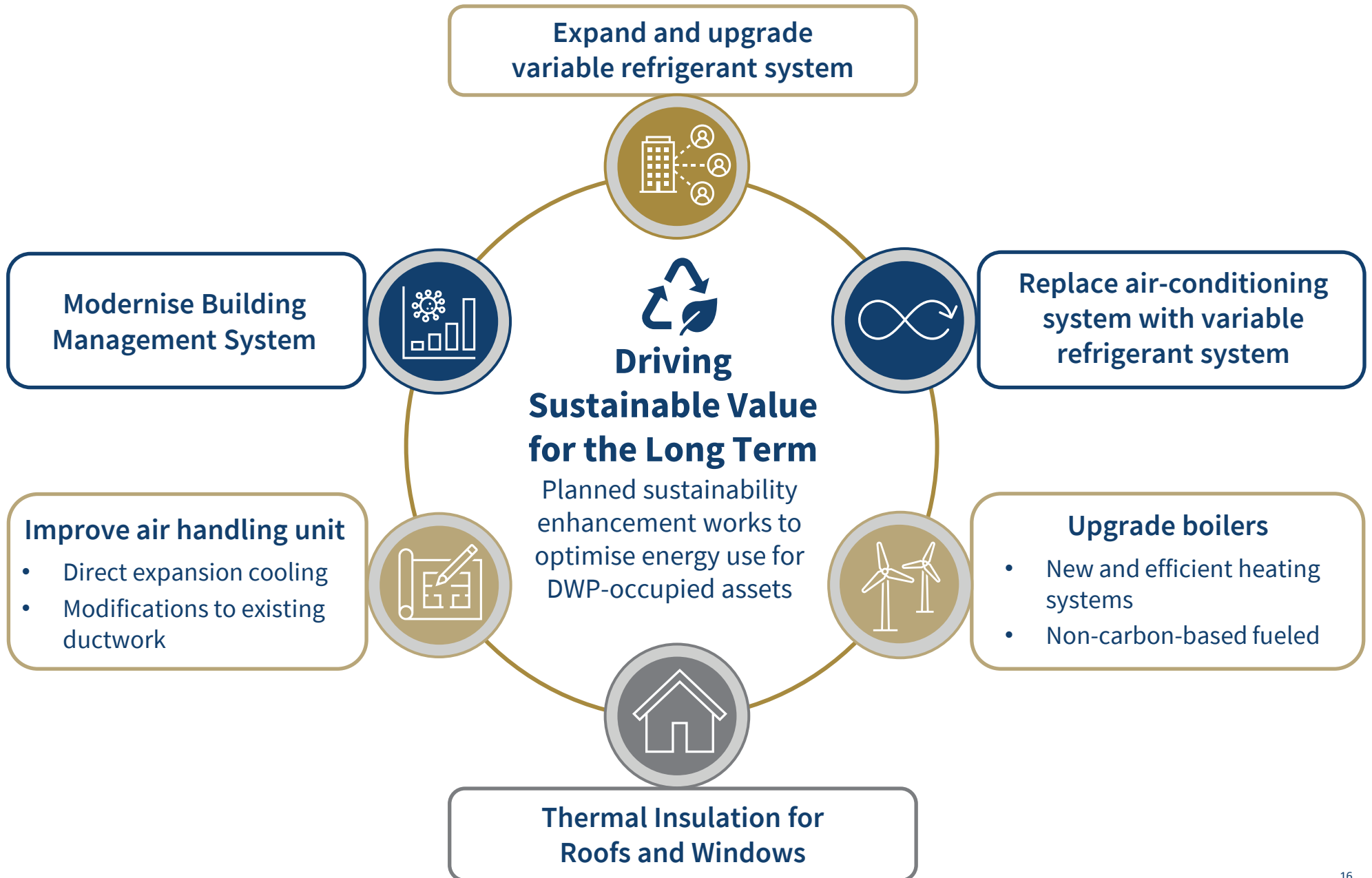


- ✓ Landmark **Sustainability Collaboration** with UK's Department for Work and Pensions & Ministry of Defence
- ✓ **£15 million unsecured green loan** to fund sustainability enhancement works
- ✓ Upgrade in **Energy Performance Certificate** ratings of assets



# 'Greening' the Portfolio

Asset enhancement works to boost energy efficiency of buildings



Section VI

# Key Priorities



ELITE COMMERCIAL REIT



High Road, Ilford



# Outlook and Opportunities

Positioning for long term income and value



## Economy of the UK

- 6<sup>th</sup> largest economy in the world and 2<sup>nd</sup> largest in Europe
- Stable and lawful political and judiciary system with low levels of corruption and crime
- GBP as a leading reserve currency and is one of the most sought-after global currencies in the world and in Asia



## Macroeconomic outlook

- 12-month UK inflation rate grew by 6.7% and has maintained at the same rate for two months; lowest since March 2022<sup>(1)</sup> but still amongst the highest in major economies
- Bank of England has maintained the bank rate<sup>(2)</sup> at 5.25%
- Jobs market is strong with unemployment rates low by historical standard at 4.2%<sup>(3)</sup>



## Real estate outlook

- Most tenants in the UK have returned to full-time or hybrid basis
- Inflation and interest rates are impacting developers' build costs
- Tighter planning approvals, with focus on embodied carbon, for new-build projects

- ✓ Elite REIT's assets benefit from a resilient and stable income profile
- ✓ High level of income certainty
- ✓ Tenancies supported by AA-rated UK Government
- ✓ The only GBP-listed REIT in Singapore

- ✓ We are real estate partners to the DWP in providing critical social infrastructure to help alleviate unemployment in the UK
- ✓ Elite REIT's unique class of assets benefit from triple-net leases that have inflation rental escalations, helping to mitigate rising interest rates

- ✓ Increasing demand from the tailwind of the return to office trend
- ✓ Restricted competing supplies bode well for our existing well-located assets
- ✓ Sustainability collaboration with the DWP and other key occupiers

### Notes:

1. Office for National Statistics, Consumer price inflation, UK: September 2023, 18 October 2023.

2. Bank of England, Monetary Policy Summary, November 2023, 2 November 2023.

3. Office for National Statistics, Labour market overview, UK: October 2023, 24 October 2023.

# Key Priorities

## Management's focus areas in the near-term

01

### Proactive Asset Management of Vacant Assets

- Achieve reasonable dilapidation settlements and seek potential re-letting of vacant assets
- Disposal with vacant possession or following re-letting
- Seek redevelopment consent for 'highest and best use' for vacant assets



02

### Capital Management

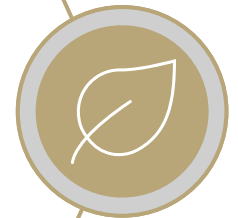
- Reduce gearing through capital recycling to strengthen balance sheet
- Diversify funding sources by expanding financier relationships and accessing new sources of capital
- Opportunistic divestments to fund asset enhancement and manage gearing



03

### Future-proof our Assets

- Diversify lease expiry profile and extend leases ahead of expiries
- Expand the sustainability collaboration project to more properties
- Improve energy performance certificate ratings
- Explore co-location of selected properties with other government occupiers



04

### Improve Trading Liquidity

- Broaden research analyst and media coverage
- Step up investor engagement through regular investor roadshows and participation in conferences
- Improve liquidity via a larger asset base as the REIT grows in the future







Collyer Court, Peckham

# Thank You

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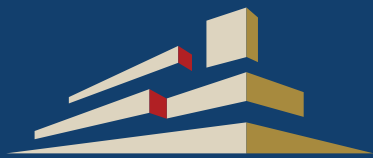
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Website



ELITE COMMERCIAL REIT



Section VII

# Additional Information



ELITE COMMERCIAL REIT



Duchy House, Preston



# Portfolio Overview as at 30 September 2023

## London

Properties	10
Net internal area (sq ft)	193,532
Valuation (£ million)	72.3
% portfolio (by valuation)	15.6%
Annualised GRI yield	5.0%

## South East

Properties	12
Net internal area (sq ft)	310,261
Valuation (£ million)	54.5
% portfolio (by valuation)	11.7%
Annualised GRI yield	6.8%

## South West

Properties	12
Net internal area (sq ft)	257,045
Valuation (£ million)	34.9
% portfolio (by valuation)	7.5%
Annualised GRI yield	8.3%

## Wales

Properties	20
Net internal area (sq ft)	338,258
Valuation (£ million)	29.7
% portfolio (by valuation)	6.4%
Annualised GRI yield	9.3%

## East

Properties	8
Net internal area (sq ft)	223,847
Valuation (£ million)	29.7
% portfolio (by valuation)	6.4%
Annualised GRI yield	7.6%

## Portfolio

Properties	152
Net internal area (sq ft)	3,839,351
Valuation as at 31 December 2023 (£ million)	464.5
WALE / WALB	4.3 years / 4.3 years
Occupancy Rate (by net internal area)	92.1%
Annualised GRI yield	7.8%

## Scotland

Properties	27
Net internal area (sq ft)	847,174
Valuation (£ million)	86.0
% portfolio (by valuation)	18.5%
Annualised GRI yield	9.0%

## North East

Properties	12
Net internal area (sq ft)	189,865
Valuation (£ million)	12.8
% portfolio (by valuation)	2.8%
Annualised GRI yield	9.9%

## North West

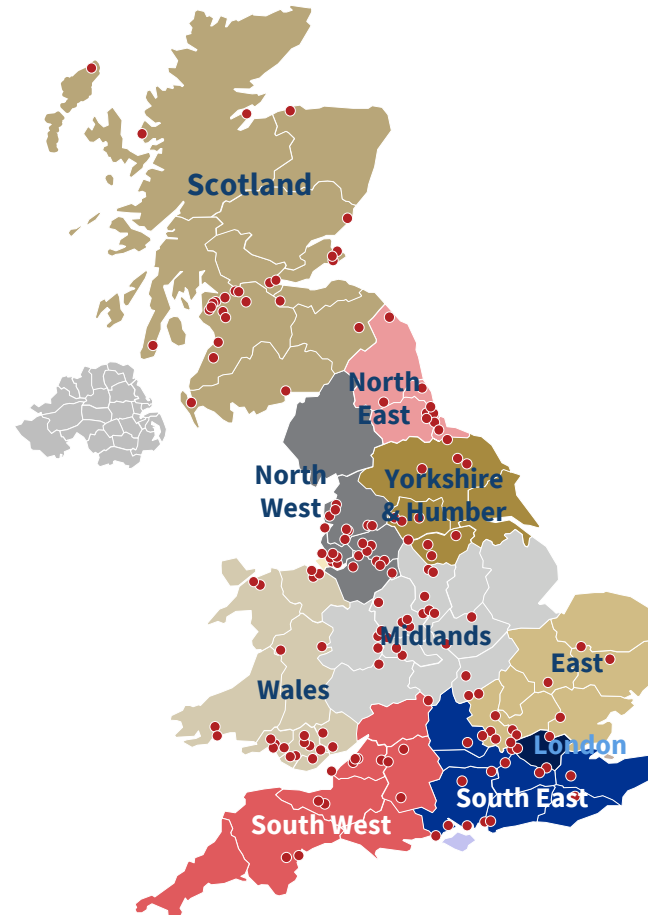
Properties	24
Net internal area (sq ft)	956,679
Valuation (£ million)	99.5
% portfolio (by valuation)	21.4%
Annualised GRI yield	7.8%

## Yorkshire & Humber

Properties	10
Net internal area (sq ft)	164,818
Valuation (£ million)	12.7
% portfolio (by valuation)	2.7%
Annualised GRI yield	10.3%

## Midlands

Properties	17
Net internal area (sq ft)	357,872
Valuation (£ million)	32.3
% portfolio (by valuation)	7.0%
Annualised GRI yield	8.8%



### Note:

1. Annualised GRI yield is derived from dividing annualised GRI as at 31 December 2022 by valuation as at 31 December 2022.

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