

**ELITE REIT RECYCLES MORE THAN £11.4 MILLION OF CAPITAL;  
AGGREGATE 12.2% PREMIUM TO VALUATION ON DIVESTMENTS  
ANNOUNCED SO FAR IN 2023; DELIVERS AVAILABLE DPU OF 2.82 PENCE  
FOR 9M 2023 AMIDST CHALLENGING MACRO ENVIRONMENT**

- *Recycled gross proceeds<sup>1</sup> amount to £11.4 million and used to reduce gearing*
- *£3.4 million of divestments<sup>2</sup> at about 12.2% above valuation<sup>3</sup>, demonstrating the robustness of Elite REIT's asset valuation*
- *Gearing ratio<sup>4</sup> continues to trend downwards by about 60 basis points*
- *Higher revenue y-o-y attributed to 13.1% inflation-linked rent escalation*
- *High portfolio occupancy of 92.1%*

**Summary of Financial Results**

	9M 2023	9M 2022	Variance (%)
<b>Revenue (£'000)</b>	28,473 <sup>(5)</sup>	27,906	2.0
<b>Net Property Income (£'000)</b>	32,454 <sup>(5)</sup>	26,963	20.4
<b>Amount generated during the period for distribution to Unitholders (£'000)</b>	13,599	18,166	(25.1)
<b>Available Distribution per Unit ("DPU") – pence</b>	2.82 <sup>(6)</sup>	3.79	(25.6)

**SINGAPORE, 7 November 2023** – Elite Commercial REIT Management Pte. Ltd., the manager (the “**Manager**”) of Elite Commercial REIT (“**Elite REIT**”), today announced its business update for the nine-month period ended 30 September 2023 (“**9M 2023**”).

**Aggregate Divestments<sup>2</sup> at 12.2% Above Valuation**

As at 25 October 2023, five divestments<sup>2</sup> have been realised for an aggregate sale consideration (“**Sale Consideration**”) of £3.4 million. The Sale Consideration represents approximately 12.2%

<sup>1</sup> Includes dilapidation settlements for nine assets as at 25 October 2023 and expected gross disposal proceeds from the divestment of five assets.

<sup>2</sup> Includes divestments completed and agreed in October 2023, after the end of the financial quarter ended 30 September 2023.

<sup>3</sup> Based on the valuation as at 31 July 2023 for the five divestments.

<sup>4</sup> 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%.

<sup>5</sup> Includes £20,000 of straight-line rent adjustments.

<sup>6</sup> Based on 100% payout ratio. At 90% payout ratio, the DPU for 9M 2023 is 2.53 pence.

premium to the valuation<sup>3</sup> of the five assets. The five properties are Openshaw Jobcentre, Manchester; Cardwell Place, Blackburn; Leeds Road, Bradford; John Street, Sunderland; and Crown House, Burton on Trent.

In addition to the divestments, the Manager has concluded the dilapidation settlements for a total of nine assets so far this year, following collaborative negotiations with Elite REIT's occupiers. Under its dilapidation settlement lease terms, the Manager will negotiate with outgoing tenants for the work required and costs associated with reinstatement of the condition of the property.

### **Resilient Financial Performance**

Revenue for 9M 2023 grew by 2.0% to £28.5 million for 9M 2023, compared to the previous corresponding period a year ago ("**9M 2022**"), while net property income for 9M 2023 jumped 20.4% year-on-year to £32.5 million. Amount generated during the period for distribution to Unitholders fell by 25.1% to £13.6 million year-on-year due to higher financing costs.

The resilient performance was attributed to the 13.1% inflation-linked rent escalation starting from 1 April 2023, the conclusion of dilapidation settlements for nine assets and lower debt levels following the repayment of Elite REIT's existing loans. This is partially offset by the absence of rental income from vacated assets and increased borrowing costs from the rise in Sterling Overnight Index Average ("**SONIA**") rates.

9M 2023 available DPU stood at 2.82 pence<sup>6</sup> before retention, representing an attractive annualised yield of 15.1%<sup>7</sup>.

### **Improved Gearing Ratio**

A large portion of recycled gross proceeds went towards the repayment of loans, which resulted in savings in borrowing costs, as well as the lowering of holding costs of the vacant properties.

On a pro forma basis, gearing ratio fell by circa 60 basis points<sup>8</sup> to 45.4% as at 25 October 2023. The Manager aims to reduce gearing further through strategic capital recycling as well as asset management strategies to increase the value of Elite REIT's assets.

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<sup>7</sup> Based on closing unit price of £0.25 as at 30 September 2023.

<sup>8</sup> As at 30 September 2023, the gearing ratio is 45.8%.

Elite REIT's net asset value (“NAV”) per unit remains stable at £0.51 as at 30 September 2023, similar to a quarter ago. The Manager expects borrowing costs for Elite REIT to stabilise as the Bank of England (“BoE”) has maintained its Bank Rate in its most recent meeting. About 62% of the interest exposure is fixed.

### **Stable Lease Profile and Income Visibility**

Elite REIT maintained a high portfolio occupancy rate of 92.1% as at 30 September 2023. The portfolio's weighted average lease expiry (“WALE”) stood at 4.3 years as at 30 September 2023. Over 99% of Elite REIT's leases are signed directly with the UK Government<sup>9</sup>, providing credit stability and income certainty to its unitholders.

**Mr. Joshua Liaw, Chief Executive Officer of the Manager said:** “Elite REIT continues to deliver stable operating performance, notwithstanding the challenging macro environment. We are especially pleased to be able to divest five of Elite REIT's vacant assets at a considerable premium to valuation, and are making good headway on unlocking value for our unitholders for the remaining vacant assets through a mix of asset management strategies including re-letting, change of use and disposal.

“Our active capital recycling strategy and prudent capital management have also improved Elite REIT's financial flexibility. Given the challenging operating environment, it is imperative for us to focus on enhancing portfolio resiliency and strengthening our balance sheet.

“As part of the critical public infrastructure that enables the DWP to provide welfare services to the local communities and support the UK government's social agenda, our assets are in a unique position of stability. With a resilient tenant base and features to help hedge against inflationary pressures such as our triple-net leases, we remain focused on maximising returns and deliver sustainable value for our Unitholders.”

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<sup>9</sup> A majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities, which is a Crown Body.

## Outlook and Prospects

The UK's economy is estimated to have grown by 0.2% in August 2023 after a fall of 0.6% in July 2023<sup>10</sup>. UK's inflation, as measured by the Consumer Price Index (“CPI”), rose by 6.7% in the 12 months to September 2023, the same rate as in August<sup>11</sup> but down from 6.8% in July and 7.9% in June<sup>12</sup>.

In its latest projection, BoE expected gross domestic product to have been flat in 3Q 2023, weaker than projected in the August Report. Against this backdrop, the BoE has maintained the Bank Rate at 5.25%<sup>13</sup>.

Estimated<sup>14</sup> unemployment rate for June to August 2023 increased by 0.2 percentage point on the quarter to 4.2%<sup>15</sup>. Meanwhile, vacancies for July to September 2023 fell for the 15<sup>th</sup> consecutive quarter, reflecting uncertainty across the various industries.

Claimant count of people claiming unemployment-related benefits from DWP in August 2023 stood at around 1.54 million, 1.3% higher from a year earlier<sup>16</sup>. With the higher claimant count, this further supports the fact that DWP's services remain essential and integral in supporting UK's social fabric and infrastructure.

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

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<sup>10</sup> Office for National Statistics, GDP monthly estimate, UK: August 2023, 12 October 2023.

<sup>11</sup> Office for National Statistics, Consumer price inflation, UK: September 2023, 18 October 2023.

<sup>12</sup> Office for National Statistics, Consumer price inflation, UK: July 2023, 16 August 2023.

<sup>13</sup> Bank of England: Monetary Policy Summary: November 2023, 2 November 2023.

<sup>14</sup> The experimental figures were derived using growth rates from Pay as You Earn Real-Time Information and the Claimant Count for the periods from May to July 2023 onwards. This is to provide a more holistic view of the state of the labour market while the Labour Force Survey (LFS) estimates are uncertain. Unadjusted June to August LFS data is not published.

<sup>15</sup> Office for National Statistics, Labour market overview, UK: October 2023, 24 October 2023.

<sup>16</sup> Office for National Statistics, CLA01: Claimant Count (Experimental Statistics), 24 October 2023.



ELITE COMMERCIAL REIT

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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 Singapore-listed UK REIT.

Elite REIT’s portfolio (“**Portfolio**”) comprises over 152 predominantly freehold<sup>17</sup> commercial buildings located across the UK with an aggregate value of £464.5 million<sup>18,19</sup>. The Portfolio has a total net internal area of approximately 3.8 million square feet and a total site area of approximately 71 hectares.

The Portfolio offers a stable cash flow with over 99.0% of the gross rental income derived from the AA-rated UK sovereign credit rating and a long weighted average lease expiry of 4.3 years<sup>20</sup>. All the leases are on full repairing and insuring<sup>21</sup> (“**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.

Elite 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>17</sup> Of the 152 properties, 147 properties are freehold properties and 5 properties are on long leasehold tenures.

<sup>18</sup> 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.

<sup>19</sup> Portfolio value is the fair value of investment properties, based on independent professional valuations.

<sup>20</sup> As at 30 September 2023.

<sup>21</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 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.*