ELITE COMMERCIAL REIT

ELITE COMMERCIAL REIT CONTINUES TO OUTPERFORM WITH DPU GROWTH OF 4.9% Y-O-Y IN 1Q 2022

- ***DPU for 1Q 2022 stood at 1.28 pence, up 4.9% year-on-year***
- ***Achieved positive outcome from major lease re-gearing exercise to enhance lease stability and further extend income visibility to 2028***
- ***Secured Sustainability Collaboration with another UK Government department, the Ministry of Defence, following the first with the Department for Work and Pensions***

Summary of Financial Results

	1Q 2022 £'000	1Q 2021 £'000	Variance %
Revenue	9,210	6,605	39.4
Distributable Income generated during the period	6,137	4,505	36.2
Distribution per unit ("**DPU**") – pence	1.28	1.22	4.9

***SINGAPORE, 29 April 2022* – 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 2022 ("**1Q 2022**") where the REIT reported an actual revenue of £9.2 million and distributable income generated during the period of £6.1 million.

Elite Commercial REIT outperformed year-on-year, beating revenue and distributable income generated during the period by 39.4% and 36.2% respectively. 1Q 2022 DPU was 1.28 pence, 4.9% higher than 1Q 2021 DPU of 1.22 pence.

The REIT's portfolio remains 100% occupied as at 31 March 2022 with almost 100% of rent for the three-month period from April 2022 to June 2022 collected in advance and within seven days of the due date.

Positive Outcome from Lease Re-gearing Exercise

During the period under review, the Manager had successfully removed lease break options that were set to occur in March 2023 ("**lease break options**") from an aggregate of 109 assets[1] occupied by the REIT's main occupier, the UK Government's Department for Work and Pensions ("**DWP**"), and the UK Government's Ministry of Defence ("**MOD**"). This positive outcome greatly enhances the REIT's lease stability and income visibility until March 2028 for 85.2% of the total REIT's portfolio based on annualised gross rental income as at 31 March 2022.

Except for the removal of the lease break clause, the rest of the lease terms remain the same and the leases will also benefit from the built-in rental escalation in April 2023, presenting potential upside. A majority of the rental escalation is pegged to 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. The new rental rates will start on 1 April 2023.

In its announcements dated 14 April 2022, the Manager provided an illustrated outcome of rental contributions for assets occupied by the DWP and the MOD, following the recent lease events pertaining to the assets occupied by these two government departments, with estimated inflation-linked rental uplift factored in.

The illustration showed that the total estimated rental contribution from the DWP and the MOD will increase between 1.5% and 5.5% when the inflation-linked rental escalation starts in April 2023. Following the recent lease events, the Manager intends to conduct a mid-year valuation exercise to update the REIT's portfolio value.

Property Updates

The Manager has received notice to exercise the break options for eight of the remaining nine DWP-occupied assets with the March 2023 lease break option. The Manager continues to work with the DWP on the sole balance asset with the March 2023 lease break option and will update the market in due course.

John Street, Sunderland, which is vacant as of 1 April 2022, and Sidlaw House, Dundee, which will vacate on 29 June 2022, are being actively marketed to potential occupiers. The most likely

[1]Of the 109 assets with March 2023 lease break option removed, 108 are occupied by the DWP and one by the MOD.

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use for the assets is continued office use, although the Manager continues to review alternative options as a matter of course.

Maximising Value Outcomes

All the eight assets which will be vacated by the DWP have a 12-month notice period on the lease and these assets will continue to be income-producing until March 2023 when they are vacated. The Manager is actively formulating the appropriate asset management strategy for each asset, with a view to maximising value outcomes and minimising holding costs.

Appraisals of the real estate market conditions and economic dynamics of the submarkets of each of the eight assets are underway, with a variety of options for each asset under consideration, including:

- Potential re-letting as an office or other uses
- Disposal with vacant possession or following re-letting
- Seeking consent for alternative uses (conversion or redevelopment) where those offer the best outcomes.

The Manager is also actively engaged with the network of local advisors, to assist in any analysis and on future re-letting, redevelopment and/or disposal strategies for the eight assets. Further updates will be provided at the appropriate time.

Secured Sustainability Collaboration with UK Government Departments

The Manager has secured Sustainability Collaboration with two government departments within the quarter itself, a major achievement considering the impact it would have on the REIT's portfolio. The REIT secured its first such collaboration with the DWP announced end of February 2022, followed closely by the collaboration with the MOD announced in April 2022.

In total, the Manager will be investing an aggregate of about £14.8 million[2] over three years towards pre-approved works on the assets occupied by the DWP and the MOD, funded mainly by internal sources, to boost the energy efficiency of the underlying buildings and ensure that the properties remain relevant in an increasingly sustainability-focused environment. The

[2] *Comprising £14.67 million of Sustainability Contribution to DWP-occupied assets and £0.1 million of Sustainability Contribution to MOD-occupied asset.*

collaborations are also in alignment with the UK Government's commitment to achieve net zero carbon emissions by 2050[3].

Ms Shaldine Wang, Chief Executive Officer of the Manager, said: "The team has done well in securing lease stability through the removal of lease break options for 109 of our properties, which further enhances the income visibility for the REIT. These leases will also benefit from the upcoming rental escalations in April 2023.

"Besides that, the team has also achieved breakthrough sustainability collaborations with the UK Government, first with our main occupier, the DWP, and next with the Ministry of Defence, to 'green' our assets. We have also released our inaugural Sustainability Report which outlines our sustainability framework, material topics and strategies to keep us relevant and sustainable for a longer time. Our proactive asset management approach continues to put us in a good stead as we intensify our efforts. We continue to proactively engage our occupiers and tenants to explore suitable opportunities and formulate the best outcome for our properties in maximising and augmenting long-term value of the REIT."

Outlook and Prospects

UK economy is estimated to have grown by 0.1% in February 2022 and is now 1.5% above its pre-pandemic level in February 2020, driven mainly by human health and social work activities[4]. On an annual basis, UK economy grew by 7.4%[5] in 2021. However, UK GDP is expected to slow to 3.7% in 2022, projected the International Monetary Fund[6].

It was noted that the Bank of England ("**BoE**") had raised interest rates by another 0.25 percentage points, to 0.75% for the third consecutive meeting as inflation hits its highest since January 1997. BoE now expects inflation to increase further in the coming months to around 8% in 2Q 2022 and perhaps even higher later this year, reflecting global energy prices, with some further material contribution from tradable goods prices[7]. Consumer Prices Index ("**CPI**") rose by 7.0% in the 12 months to March 2022, up from 6.2% in February 2022[8]. However, upward pressures on inflation are expected to dissipate over time and projected to fall back to a little above the 2% target in two years' time.

[3] *Gov.UK, HM Government, Net Zero Strategy: Build Back Greener, October 2021.*
[4] *Office for National Statistics, GDP monthly estimate, UK: February 2022, 11 April 2022.*
[5] *Office for National Statistics, GDP quarterly national accounts, UK: October to December 2021, 31 March 2022.*
[6] *International Monetary Fund, World Economic Outlook, April 2022.*
[7] *Bank of England, Monetary Policy Summary, March 2022, 17 March 2022.*
[8] *Office for National Statistics, Consumer price inflation, UK: March 2022, 13 April 2022.*

The unemployment rate for December 2021 to February 2022 fell by 0.1 percentage points on the year to 3.8% and is now at pre-pandemic levels[9]. Meanwhile, job vacancies in January to March 2022 rose to a new record of 1.3 million[9].

DWP's claimant count of 1.7 million in March 2022 remains high compared to pre-pandemic. Although unemployment claimants have been falling over the past year, it is noted that job vacancies still remain significantly high, emphasising the importance of DWP's services to the UK citizens in providing job matching services.

The Manager remains on the lookout for growth opportunities and these are 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 close to 100% of the rent in advance.

- End -

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[9] *Office for National Statistics, Labour market overview, UK: April 2022, 12 April 2022.*

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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 the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 6 February 2020, Elite Commercial REIT is the first and only UK-focused listed REIT in Singapore.

The REIT's portfolio ("**Portfolio**") comprises 155 predominantly freehold[10] quality commercial buildings located across the UK with an aggregate value of £500.1 million[11],[12]. 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 AA-rated UK Government and a long weighted average lease expiry of 5.5 years[13]. All the leases are on full repairing and insuring[14] ("**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 for over 23 million claimants. DWP is a uniquely resilient occupier and the Portfolio is part of the crucial public infrastructure through which the 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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[10] Of the 155 properties, 150 properties are freehold properties and 5 properties are on long leasehold tenures.
[11] As at 31 December 2021.
[12] Portfolio value is the fair value of investment properties (based on valuation report).
[13] As at 31 March 2022.
*[14] 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.*

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.