


Elite Commercial REIT

# FY 2022 Financial Results

14 February 2023

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# Content



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- iEdge SG Real Estate Index
- iEdge SG ESG Transparency Index

GPR General (World) indices for Asia and Singapore
GPR General indices for Asia & Singapore
GPR/APREA Composite indices for Singapore
GPR/APREA Composite REIT indices for Singapore
GPR General Quoted (World) indices for Asia & Singapore

ELITE COMMERCIAL REIT

**Section I**

# Overview of Elite Commercial REIT

**Nutwood House, Canterbury**

# First & Only UK-Focused S-REIT

## Over 99% Leased to the AA-credit rated UK Government(1)

**£466.2m(2)**
Portfolio value

**155**
Office Assets

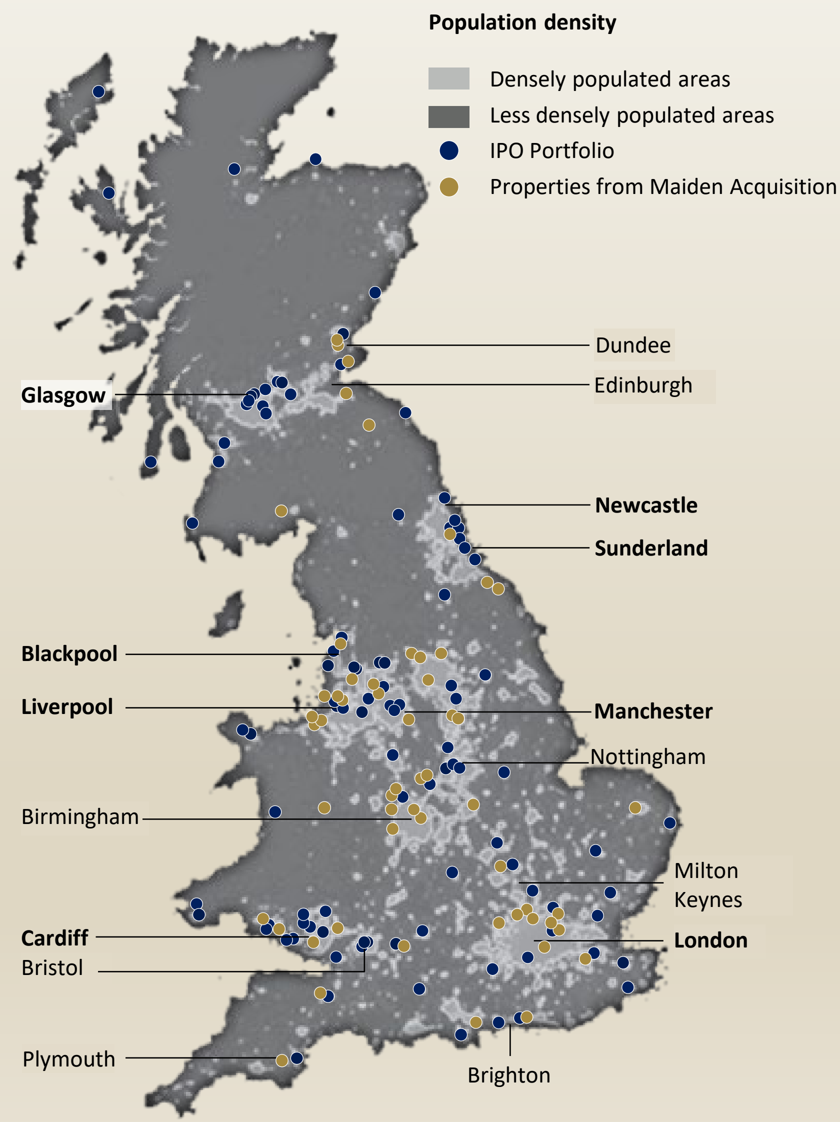
**AA-rated**
UK sovereign credit rating

**97%**
Freehold(3)

**Triple Net**
Full Repairing & Insuring Leases(4)

**2023 Rent Review**
Built in Inflation-linked Rent Uplift(5)

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




**Notes:**

1. Majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities (formerly known as the Secretary of State for Housing, Communities and Local Government), which is a Crown Body.
2. As at 31 December 2022.
3. 150 properties are on freehold tenures and 5 properties are on long leasehold tenures.
4. 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.
5. A small proportion of the portfolio has rental review based on open market rental value.

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**Section II**

# FY 2022 Financial Performance

Holborn House, Derby

# FY 2022 Highlights

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## Stable Financial Performance

FY 2022
Revenue

**6.7% y-o-y**

FY 2022 Distribution per Unit ("DPU")

**4.81 pence[1]**

Gearing Ratio

**45.8%**

as at 31 December 2022

## Resilient Portfolio with Income Certainty

Consistent Rental Collection in Advance

**100%**

for the three-month period of January 2023 to March 2023, within seven days of the due date

Lease Renewal of

**5 years**

for St Katherine's House, Northampton, with 12% rental uplift

Year-end Portfolio Valuation

**£466.2m**

as at 31 December 2022

**Note:**
1. Includes the 1H 2022 Interim Distribution of 2.56 pence per Unit declared on 5 August 2022 and paid on 22 September 2022.

# Resilient Financial Performance

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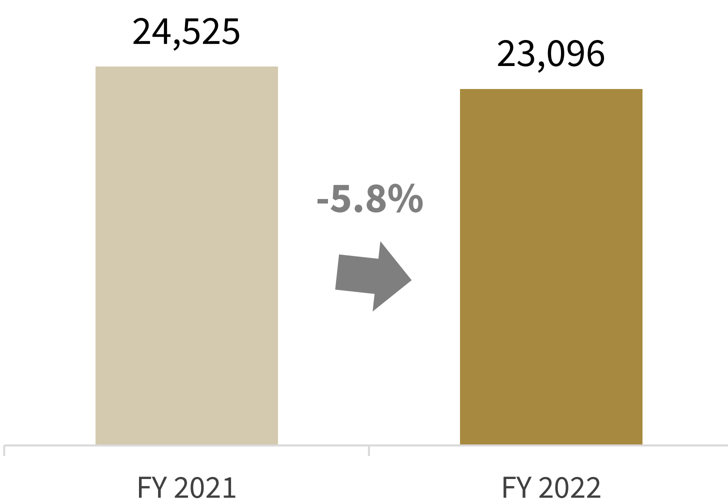
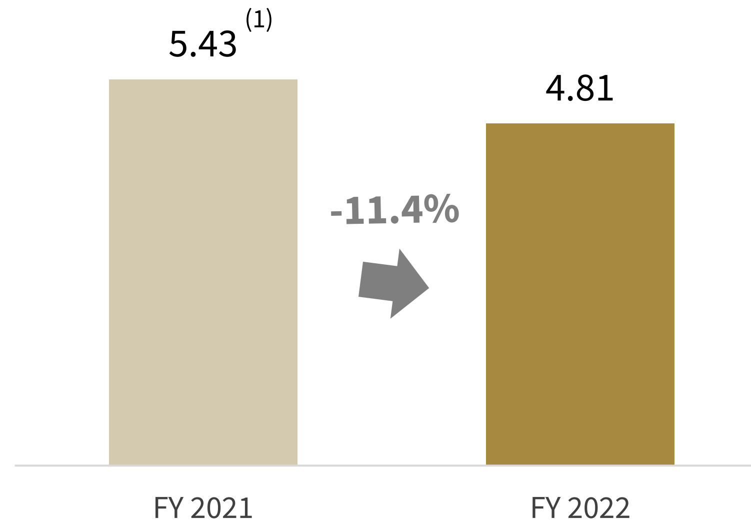
| FY 2022 Distributable Income |
| --- |
| **£23.1 million** |

| FY 2022 Distribution per Unit |
| --- |
| **4.81 pence** |

**Distributable Income generated during the period (£'000)**




**Distribution per Unit (pence)**




## Factors affecting year-on-year performance:

- Increased borrowings for the full period and interest cost on borrowings
- Election of the Manager's fees in cash
- Marginally lower occupancy rate from vacancies at two assets
- Enlarged equity base year-on-year

**Note:**
1. Includes the Advanced Distribution of 0.90 pence per Unit declared on 26 February 2021 and paid on 15 April 2021.

# Financial Highlights – FY 2022 vs FY 2021

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| | 2H 2022 | 2H 2021 | | FY 2022 | FY 2021 | |
|---|---|---|---|---|---|---|
| | Actual **£'000** | Actual **£'000** | Variance **%** | Actual **£'000** | Actual **£'000** | Variance **%** |
| Revenue | 18,367 | 18,835 | ▼ 2.5 | 37,075 | 34,731 | ▲ 6.7 |
| Amount generated during the period for distribution to Unitholders | 10,852 | 13,364 | ▼ 18.8 | 23,096 | 24,525 | ▼ 5.8 |
| Distribution per unit ("**DPU**") - pence | 2.25 | 2.80 | ▼ 19.6 | 4.81 | 5.43[1] | ▼ 11.4 |

**Note:**

1. Includes the Advanced Distribution of 0.90 pence per Unit declared on 26 February 2021 and paid on 15 April 2021.

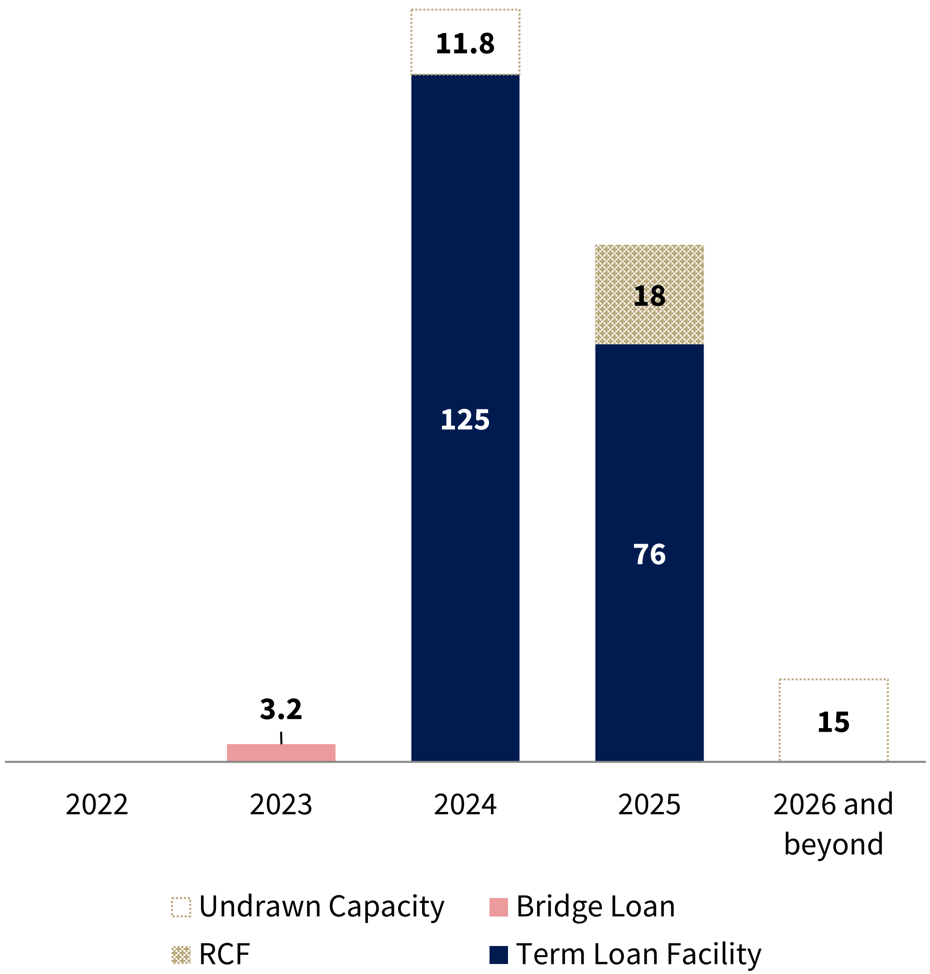
# Healthy Balance Sheet

| | 31 Dec 2022 £'000 | 31 Dec 2021 £'000 |
|---|---|---|
| Non-current assets [1] | 460,042 | 501,855 |
| Current assets | 26,753 | 31,509 |
| **Total assets** | **486,795** | **533,364** |
| Non-current liabilities | 216,468 | 222,290 |
| Current liabilities | 22,426 | 22,055 |
| **Total liabilities** | **238,894** | **244,345** |
| **Net assets / Unitholders' funds** | **247,901** | **289,019** |
| **Units in issue and issuable ('000)** | **481,128** | **476,506** |
| **Net asset value per unit (£)** | **0.52** | **0.61** |

**Note:**
1. Comprise mainly of investment properties, which are stated at their fair values, based on independent professional valuations undertaken by Knight Frank LLP.

# Prudent Capital Management

## Debt Maturity Profile (£ m) (as at 31 December 2022)




## Credit Metrics (as at 31 December 2022)

| | |
|---|---|
| Total Debt | £222.2m |
| Gearing Ratio | 45.8% |
| Borrowing Costs | 4.6% |
| Weighted Average Debt Maturity | 2.0 years |
| Interest Coverage Ratio | 4.6 X |
| Interest Rate Fixed | 69% |
| Proportion of Unencumbered Assets[1] | 61% |
| Available Debt Headroom[2] | ~£40m |

**Notes:**
1. Based on valuations; unencumbered assets refer to properties without land mortgages.
2. Based on gearing ratio of 50%.

# Capital Management Activities

| Capital Management Activities in FY 2022 | |
|---|---|
| **Apr 22** | Issue and listing of 2,417,120 new units under the Distribution Reinvestment Plan ("**DRP**") in respect of the distribution for the period of 1 July 2021 to 31 December 2021 |
| **Sep 22** | Issue and listing of 2,205,075 new units under the DRP in respect of the distribution for the period of 1 January 2022 to 30 June 2022 |
| **Oct 22** | Establishment of S$300 million Multicurrency Debt Issuance Programme |
| **Oct 22** | Extension of £94 million Loan Facility and entry into £90 million SONIA Swap arrangement, extending the REIT's debt maturity profile |
| **Nov 22** | Secured inaugural green loan facility of £15 million Green Revolving Credit Facility (undrawn as of 31 December 2022) as part of wider sustainability strategy |
| **Dec 22** | Partial repayment of Deutsche Bank Bridge Loan from £6.6 million to £3.2 million |

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**Section III**

# FY 2022

# Portfolio Performance

Tannery House, Alfreton

# Income Certainty and Visibility

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Stable Portfolio Occupancy Rate

**97.9%**

as at 31 December 2022

Consistent Rent Collection in Advance

**100%**

for the three-month period of January 2023 to March 2023, within seven days of the due date

Weighted Average Lease Expiry

**4.8 years**

as at 31 December 2022


Upper Huntbach Street, Stoke-On-Trent


Glasgow Benefits Centre, Glasgow


High Road, Ilford

# Long Portfolio WALE at 4.8 years

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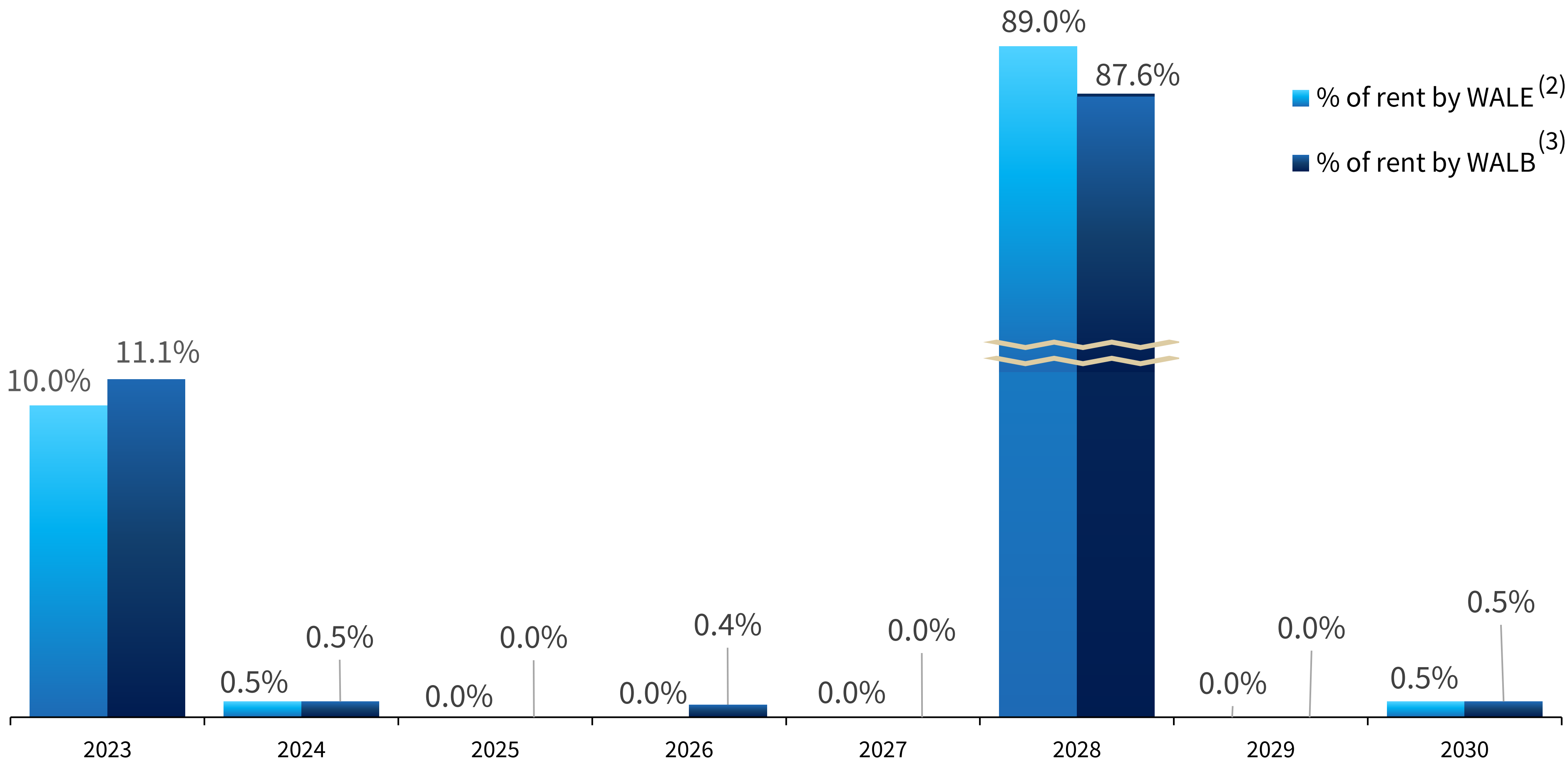
## Lease Expiry Profile as at 31 December 2022 (% of total portfolio rent)[1]

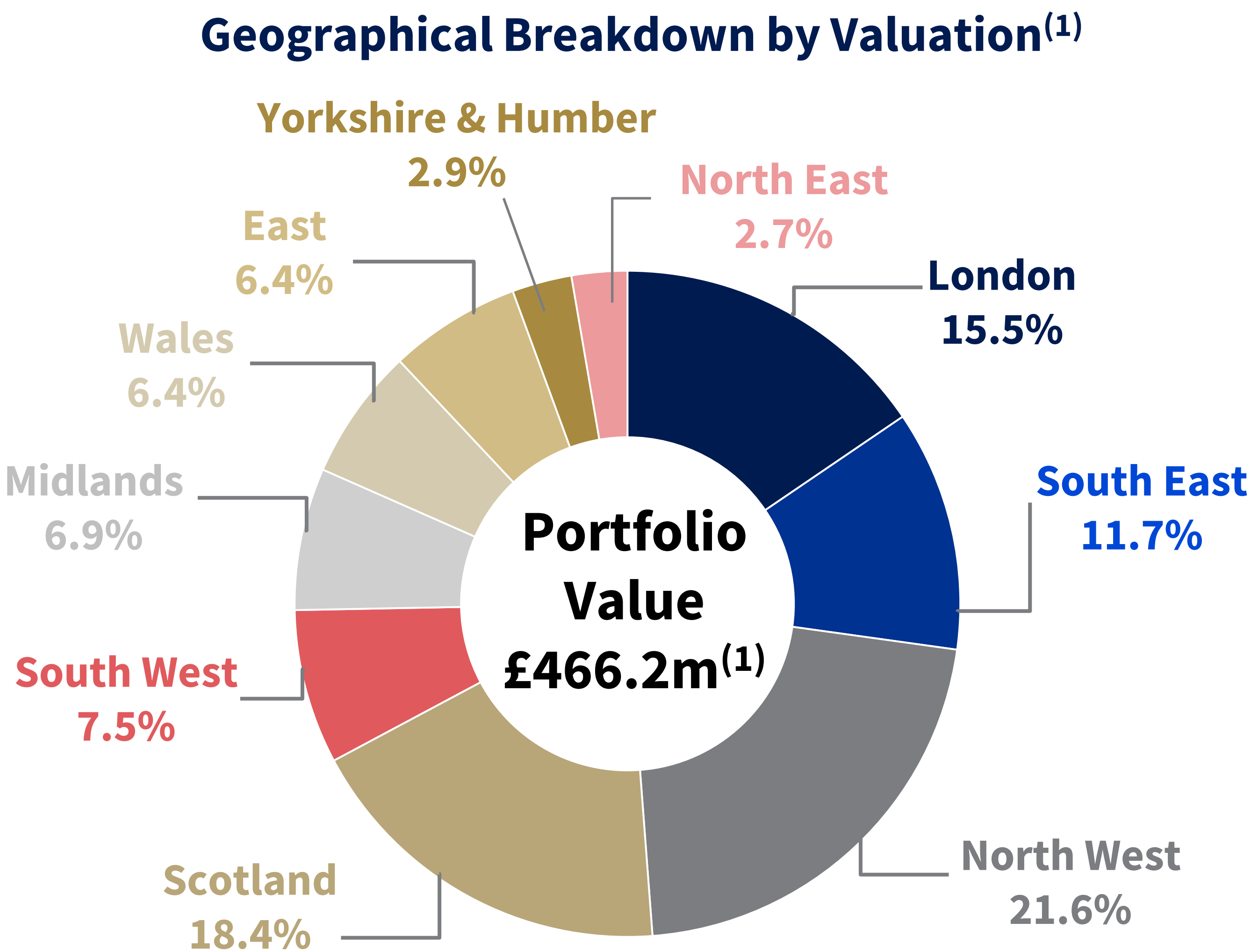



**Notes:**

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.

# Geographically Diversified Portfolio

A network of social infrastructure assets strategically located across the UK covering regional cities, providing a strong base of assets

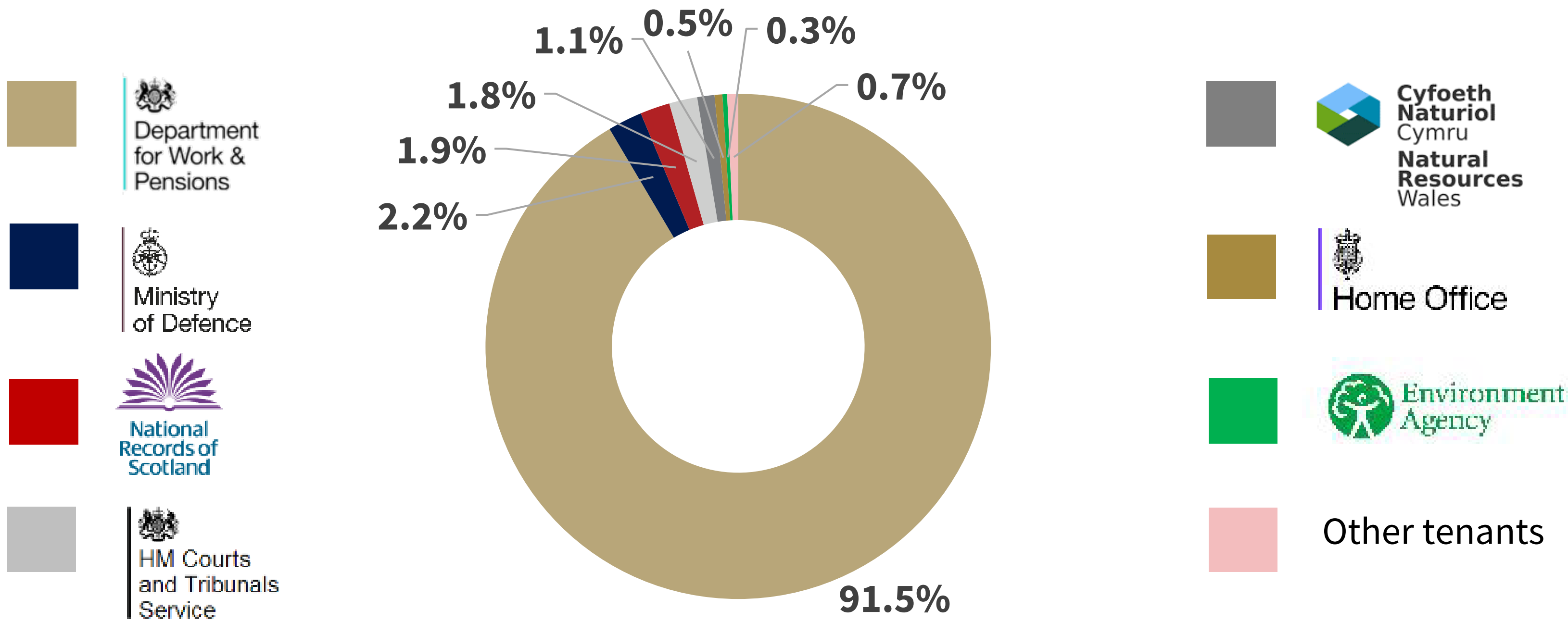



**Note:**
1. As at 31 December 2022.

# Strong Underlying Tenant Base

- Backed by AA-rated UK sovereign credit rating, with leases signed directly with the Secretary of State[(1)], providing credit stability and income certainty
- Consistent rental collection in advance since listing
- Diversified tenant mix with UK sovereign credit rating

## Tenant Breakdown by Gross Rental Income[(2)]




**Notes:**

1. Majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities (formerly known as the Secretary of State for Housing, Communities and Local Government), which is a Crown Body.
2. As at 31 December 2022.

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Section IV

# Asset Management & Sustainability Updates


Crown House, Grantham

# Resilient Portfolio Valuation

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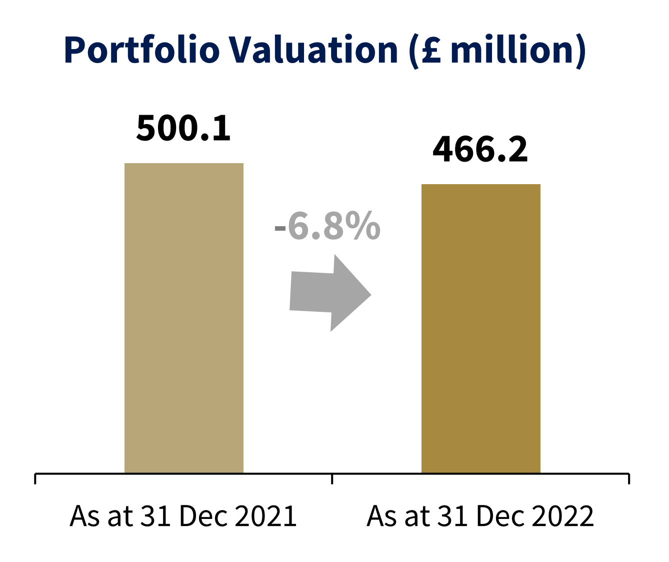
- Portfolio valuation stood at £466.2 million as at 31 December 2022, 6.8% lower year-on-year compared to £500.1 million as at 31 December 2021 and 9.9% lower when compared with mid-year valuation of £517.7 million as at 30 June 2022
- The decline is mainly attributed to widely reported market factors, including the impact of rising interest rates on financing cost, which has resulted in weaker demand for real estate investment and declining transaction volumes
- The impact of rising construction costs on refurbishment and redevelopment projects has caused values for vacant and vacating assets to be impacted as well




## UK Commercial Property Market Trends

- Capital values decreased by 13.3% for all UK commercial property market in 2022, according to CBRE Monthly Index[1].
- Throughout 2022, Office capital value growth was -12.1% and total returns were -8.3%[1].
- Energy saving projects continue to offer excellent return on investment and will only improve as the energy price cap rises and bill support schemes taper off. The net benefit to occupiers should drive better engagement between landlords and tenants to make meaningful energy improvements[2].

**Notes:**
1. CBRE Research, United Kingdom Monthly Index Snapshot December 2022, 9 January 2023.
2. Colliers, UK Property Forecasts 2023.

# Built-in CPI-linked Rental Growth

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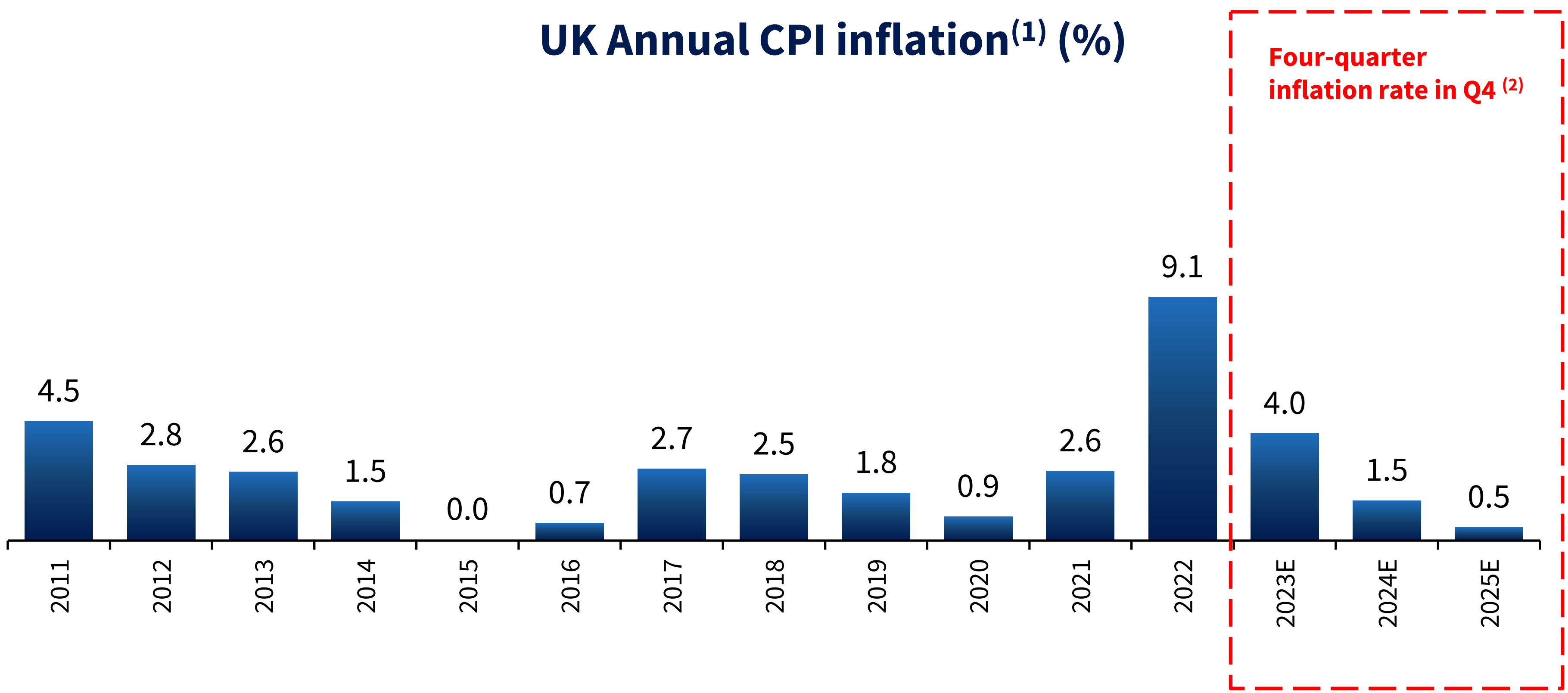
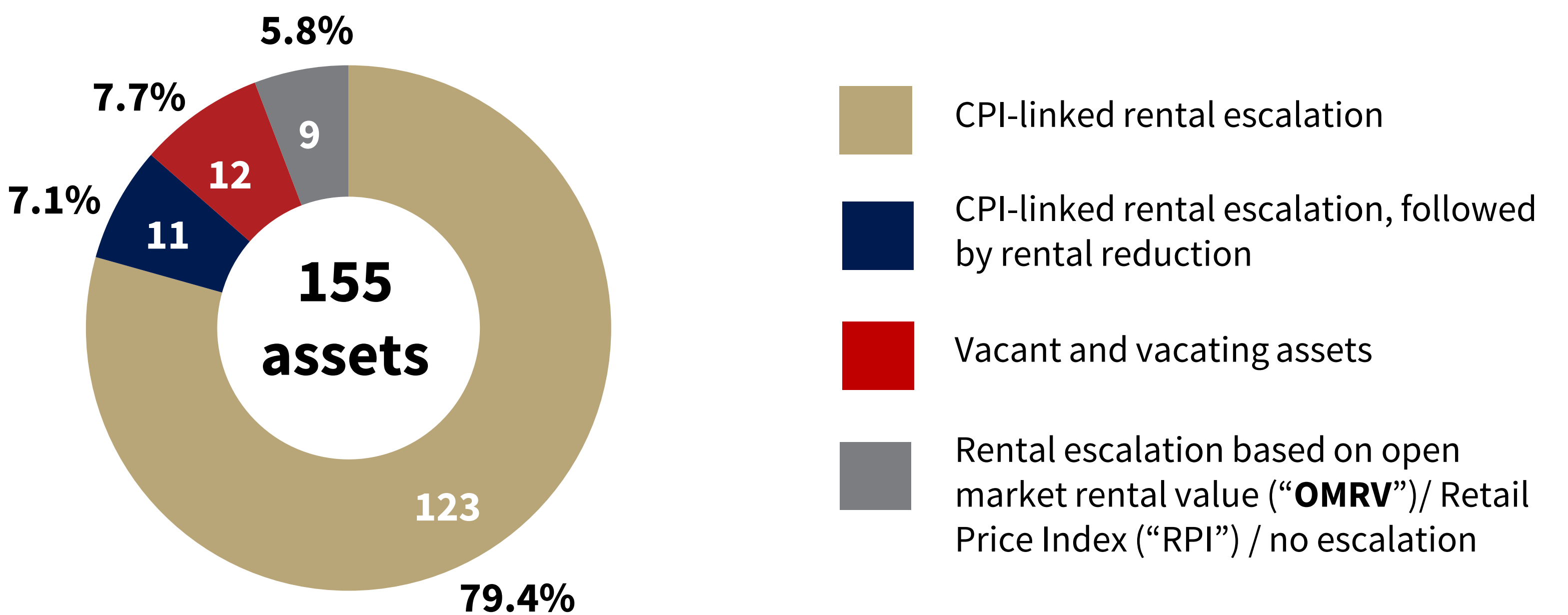
- Potential upside at upcoming rent review in April 2023
- Rental uplift based on the UK Consumer Price Index ("**CPI**"), subject to an annual minimum increase of 1.0% and maximum of 5.0% on an annual compounding basis from 1 April 2018 to 31 March 2023




**Notes:**
1. Office for National Statistics, Gov.UK, CPI Annual Rate 00: All Items 2015=100.
2. Bank of England, Monetary Policy Report February 2023.

# Majority with Rental Uplift in April 2023

## Rental Status by Number of Assets




- Following the removal of March 2023 lease break clause from the leases of 109 assets occupied by the DWP and MOD, a total of 134 assets in the portfolio, or 86.4% of the portfolio by number of assets, will benefit from the built-in inflation-linked rental escalation effective from April 2023.
- Out of these 134 assets, 11 assets would be subjected to rent reductions following the rental uplift.
- The estimated range of rental escalation for the 134 assets is between 11.0% and 15.4%.
- After taking into account the rental escalation of these 134 assets, coupled with rental reduction of 11 assets and the impact of portfolio vacancies, the revenue and net property income for the business are expected to be stable.

# Asset Management Strategy

Regular and active engagements with current and potential occupiers

## Lease Renewal

### St Katherine's House, Northampton

- The Manager has successfully renewed[1] the lease for another five years with rental uplift of 12% with similar terms, providing income visibility up to December 2028
- The positive outcome was the result of early and proactive tenant engagement by the Manager, adding to the proven track record of the Manager

## Proactive Tenant Engagement

### Focus on Tenant Retention

- The Manager continues to engage with various UK Government agencies in order to understand their requirements and to better serve them
- Develop collaborations that would be mutually beneficial to both occupiers and landlord

### Expand on Sustainability Collaboration

- The Manager continues to work collaboratively with its main occupier to realise asset enhancement works leading to improvement in energy efficiency of DWP-occupied assets
- Working on strategies to expand the successful sustainability collaboration with DWP and other occupiers in its portfolio

### Diversify Lease Expiries and Income Profile

- Focus on expanding and continuing dialogues on future lease renewals and extensions to diversify lease expiries and income profile

St Katherine's House, Northampton


Ladywell House, Edinburgh

Hilden House, Warrington

# Value Maximising Potential

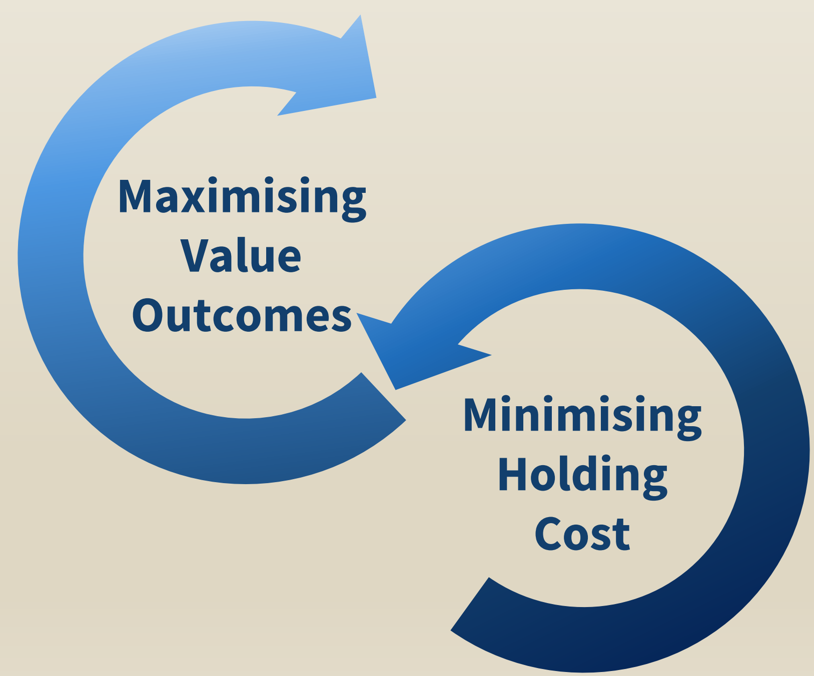
- Assets are strategically located primarily in town centres, close to transportation nodes and amenities
- Various potential alternative uses are available for the assets, depending on the real estate market conditions and economic dynamics of the submarkets

Negotiating for reasonable dilapidations settlement

Potential re-letting 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



# ‘Greening’ the Portfolio

## Asset enhancement works to boost energy efficiency of buildings

### Driving Sustainable Value for the Long Term

Sustainability enhancement works on various DWP-occupied properties across the REIT’s portfolio have been planned so far to optimise energy use

Examples of works being planned include:

✓ Replacement of existing variable refrigerant system and to expand the use of the variable refrigerant system

✓ Replacement of gas- or oil-fueled boilers with new, higher efficiency or non-carbon-based heating system solution

✓ Replacement of air-conditioning system with variable refrigerant system

✓ Replacement of air handling unit (“**AHU**”) including direct expansion cooling, modifications to existing ductwork and replacement of Building Management System (“**BMS**”)

✓ Roofing replacement projects

### Green Lease Clauses

**St Katherine’s House, Northampton**

- Inclusion of specific green lease wordings[(1)] during the recently signed five-year lease renewal at St Katherine’s House, Northampton

St Katherine’s House, Northampton

Bradmarsh Business Park, Rotherham

Upper Huntbach Street, Stoke-On-Trent

**Note:**

1. Refers to green lease clauses to the effect of a green lease which facilitates the sharing of environmental data by our occupiers.

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Section V

# Strategy and Outlook

Tannery House, Alfreton

# Market Outlook

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## UK economy is slowing

### Economy

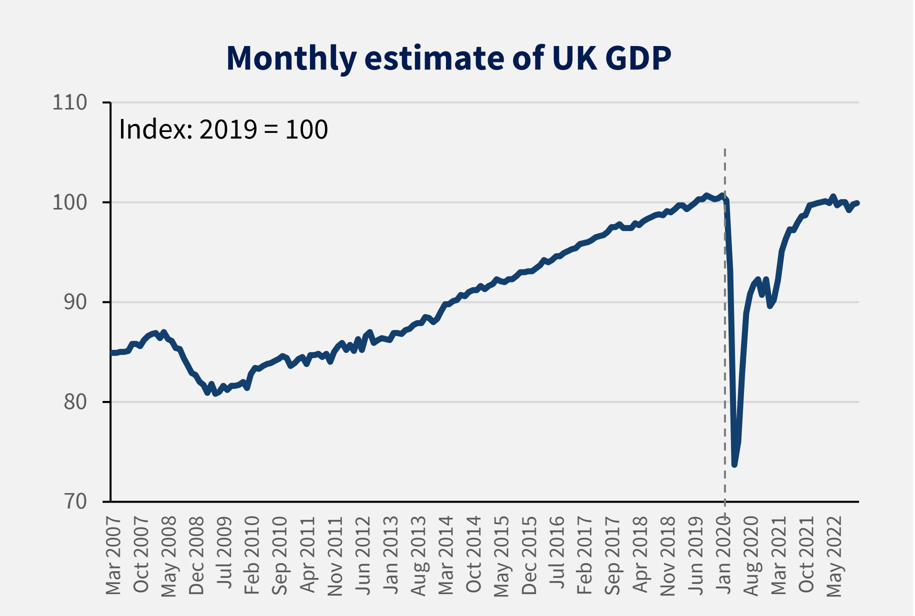
- UK's economy is estimated to have fallen by 0.5% in December 2022 on a monthly basis, and remained flat in the three months to December 2022.
- On an annual basis, gross domestic product ("**GDP**") is estimated to have grown by 4.1% in 2022.
- GDP is projected to fall slightly throughout 2023 and Q1 2024, as still-high energy prices and the path of market interest rates weigh on spending.

### Inflation

- Consumer Price Index ("**CPI**") rose by 10.5% in the 12 months to December 2022, down from 10.7% in November, with transport as the largest downward contributor.
- Bank of England ("**BoE**") expects annual CPI inflation to fall to around 4% towards the end of this year.

### Interest Rate

- BoE's MPC has set its monetary policy to meet the 2% inflation target to help sustain growth and employment and voted in February 2023 to raise interest rates again, by 0.5 percentage points, to 4.0%.




### Unemployment

- UK's unemployment rate rose by 0.2 percentage points to 3.7% in the three months to November 2022. Despite six consecutive quarterly falls, the number of vacancies remains at historically high levels.
- The fall in the number of vacancies reflects uncertainty across industries, as respondents continue to cite economic pressures as a factor in holding back on recruitment.
- BoE projected that the unemployment rate would rise to around 5.25% in the medium term.

***Sources:*** *Gov.UK, Office for National Statistics, Bank of England Monetary Policy Summary dated December 2022 and BoE Monetary Policy Report dated February 2023.*

# UK Real Estate Market Outlook

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## Generally weaker market sentiment

### Yields

- Most UK office markets have seen outward movement in prime yields so far in 2022, ranging from +15-50 bps[1].
- Yields are expected to increase in 2023, with prime yield compression resuming across UK office markets from 2024-2027[1].

### Investment Market

- Pricing will stabilise during 2023 and this should stimulate more investment activity[1].
- Office investment volumes are expected to be 20% down year-on-year in 2023, with the majority of transactions focused in the second half of the year[1].

### Trend

- In the face of modest recession, Savills remains optimistic about the outlook for the regional office markets, which proved their resilience through a much worse economic period in 2020/21, in some cases delivering record prime rent levels[2].
- The factors that drove this resilience are still in place, specifically an undersupply of prime space and a limited development pipeline that will not alleviate this undersupply in most cities[2].
- In order to satisfy demand, Savills believes refurbishment will be a key focus of the UK regional office market in the year ahead[2].

| SECTOR | | JAN-22 | SEP-22 | OCT-22 | NOV-22 | DEC-22 | JAN-23 | 1 MONTH CHANGE | MARKET SENTIMENT |
|---|---|---|---|---|---|---|---|---|---|
| Offices (Grade A) | City Prime (Single let, 10 years) | 3.75% - 4.00% | 4.00% | 4.25% | 4.50% | 4.50% - 4.75% | 4.75% | + | WEAKER |
| | West End: Prime Core (Mayfair & St James's) | 3.25% - 3.50% | 3.25% | 3.50% | 3.50% | 3.50% - 3.75% | 3.75% | + | WEAKER |
| | West End: Non-core (Soho & Fitzrovia) | 3.75% - 4.00% | 4.00% | 4.00% - 4.25% | 4.25% | 4.25% - 4.50% | 4.50% | + | WEAKER |
| | Major Regional Cities (Single let, 15 years) | 5.00% | 5.00% - 5.25% | 5.25% - 5.50% | 5.50% - 6.00% | 5.75% - 6.00% | 5.75% - 6.00% | | WEAKER |
| | Major Regional Cities (Multi-let, 5 year WAULT) | 5.75% - | 5.25% - 5.50% | 5.50% - 6.00% | 6.00% - 6.50% | 6.50% - 7.00% | 6.50% - 7.00% | | WEAKER |
| | South East Towns (Single let, 15 years) | 5.25% | 5.25% | 5.50% | 5.75% - 6.25% | 6.00% - 6.50% | 6.00% - 6.50% | | WEAKER |
| | South East Towns (Multi-let, 5 year WAULT) | 6.50% | 6.75% - 7.00% | 7.00% + | 7.25% + | 7.00% - 7.50% | 7.00% - 7.50% | | WEAKER |
| | South East Business Parks (Single let, 15 years) | 5.25% + | 5.50% - 5.75% | 5.75% - 6.00% | 6.25% - 6.75% | 6.75% - 7.00% | 6.75% - 7.00% | | WEAKER |
| | South East Business Parks (Multi-let, 5 year WAULT) | 6.75% + | 7.25% + | 7.25% - 7.50% | 7.50% - 8.00% | 7.75% - 8.00% | 7.75% - 8.00% | | WEAKER |
| | Life Sciences (Oxford, Cambridge) | 3.75% | 3.75% | 4.00% | 4.00% + | 4.25% | 4.25% | | STABLE |

***Source:*** *Knight Frank Intelligence, Prime Yield Guide – January 2023.*

**Notes:**
1. CBRE Research, UK Real Estate Market Outlook 2023.
2. Savills Research, Market in Minutes, UK Commercial – December 2022.

# Hedge against rising inflation

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1. **Lease stability & income visibility**
   Long portfolio WALE

2. **Leases are on full repairing and insuring (FRI) basis**
   Responsibility for repair and maintenance is placed with the tenant for occupied assets

3. **In-built inflation-linked rental growth**
   Compounded yearly with an annual floor and cap of 1% and 5%, uplift in April 2023

4. **Naturally hedged against forex fluctuations**
   Assets and liabilities as well as distributions are denominated in GBP

5. **Largely insulated from interest rate hikes**
   69% of interest rate exposure is fixed

6. **Secured distributions**
   Consistently achieved ~100% of rental collection in advance since listing

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# Value Creation Strategies

## Growth Potential

### Acquisition Opportunities

- Robust pipeline of properties through right of first refusal (“**ROFR**”) from the Sponsors
- Active real estate investment activities present opportunities in terms of third-party transactions in the open market
- Pursuing diversification strategy

## Proactive Asset Management

### Maximising Value

- Formulates the best outcomes for properties in the portfolio using analytics to maximise value and deliver sustainable returns to our Unitholders
- Land banking in the portfolio provides potential for organic growth

## Sustainability Integration

### ‘Green’ Collaborations

- Expand sustainability collaborations with more occupiers and tenants to ‘green’ the portfolio and improve energy efficiency of the assets
- Incorporates sustainability considerations to ensure Portfolio remains relevant


High Road, Ilford


Holborn House, Derby


Glasgow Benefits Centre, Glasgow

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# Thank You

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**Section VI**

# Additional Information

**Tannery House, Alfreton**

# Key Investment Merits

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1. **Resilient yields through economic cycles**
   Over 99% leased to the AA-credit rated UK Government
2. **Geographically diversified**
   A network of assets across the UK covering strategic regional cities
3. **Crucial public infrastructure**
   Primarily occupied by the Department for Work and Pensions
4. **Well-located assets**
   Primarily in town centres, close to transportation nodes & amenities
5. **Future growth potential**
   Acquisition pipelines, asset enhancement & redevelopment potential

# Key Milestones Since Listing

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## 2020

- **FEB** Listed on SGX on 6 Feb 2020
- **FEB** Singapore public offer was 8.3x subscribed
- **MAR-JUN** UBS, UOB Kay Hian and CGS-CIMB initiated coverage
- **1H 2020 results**
- **JUL** DPU exceeded forecast by 1.0%

## 2021

- **FY 2020 results**
- **FEB** Full-year DPU surpassed forecast by 2.3%
- **FEB** Completed £212.5mil maiden acquisition
- **JUL** DBS initiated coverage
- **1H 2021 results**
- **AUG** DPU exceeded projection by 8.7%
- **AUG** Inaugural Annual Report won a Bronze in global ARC Awards 2021
- **AUG** Completed technical listing of ECHL on TISE; UK entities qualified as a UK REIT group
- **OCT** Maybank Kim Eng initiated unrated report
- **NOV** Ranked joint 6th out of 45 REITs and Business Trusts in its debut on the Governance Index for Trusts 2021
- **DEC** Inclusion into SGX Fast Track Programme

## 2022

- **FY 2021 results**
- **FEB** DPU exceeded projection by 11.3%
- **FEB** Won Excellence in Tax Management and Optimisation at FutureCFO Excellence Awards 2022
- **FEB-MAR** Landmark Lease Re-gearing & first Sustainability Collaboration
- **APR** Publication of inaugural Sustainability Report
- **MAY** Annual Report 2021 won global Hermes Creative Awards 2021
- **1H 2022 results**
- **AUG** Distributable income grew 9.7%
- **SEP** Included in the FTSE ST Small Cap Index
- **OCT** Established S$300m Multicurrency Debt Issuance Programme & Extension of £94m loan facility
- **NOV** Secured inaugural green loan facility of £15m RCF
- **DEC** Year-end portfolio valuation stood at £466.2m
- **FY 2022 results**
- **2023 FEB** DPU of 4.81 pence

# Crucial Public Infrastructure

Primary occupier is Department for Work & Pensions (“**DWP**”)

ELITE COMMERCIAL REIT


## UK’s Largest Public Service Department

- Responsible for welfare, pensions and child maintenance policy
- While the DWP no longer hold a complete count of the number of claimants across the Great Britain following the devolution of social security benefits to the Scottish Government[1], **£217 billion** was paid out in benefits and pensions for the year ended 31 March 2022[2]
- Services provided primarily via Jobcentre Plus centres (“**JCP**”)
- Integral in **supporting UK’s social fabric**

## Front Line in UK’s Emergency Economic Response

- Leading UK’s national recovery through Plan for Jobs and more
- In March 2021, the **UK Government met its pledge to recruit 13,500 new Work Coaches**[3] which has boosted jobseeker support in towns and cities UK-wide, in one of their fastest and largest ever recruitment rounds[4]
- JCP locations **remained open** throughout the nation’s first, second and third lockdowns to process and disburse benefits to claimants
- Covid-19 situation does not trigger force majeure or termination clauses of the leases with the UK Government

## Strategically Located Assets

- Functional buildings located strategically in town and city centres near transportation nodes and amenities to enable the REIT’s primary occupier to better serve the community

**Notes:**

1. “National Statistics, DWP benefits statistics: May 2022”, Gov.UK, 17 May 2022.
2. “Corporate report, DWP Annual Report & Accounts 2021 to 2022”, Gov.UK, 28 July 2022.
3. Work Coaches provide jobseekers with tailored support to build their skills, develop CVs and find new jobs in expanding sectors.
4. “Government delivers 13,500 Work Coaches to boost Britain’s Jobs Army’, Gov.UK, 29 March 2021.

# Crucial Public Infrastructure

## For the provision of essential social welfare services by DWP

ELITE COMMERCIAL REIT

### Front of house – primarily Jobcentre Plus and other ancillary services

**Front of House[1]**
**85.5%[2]**

Department for Work & Pensions

**1** **Jobcentre Plus** - ***Usage highly correlated with unemployment***

- Staff readily on hand to assist customers with mock interviews, "Back to Work" plan, etc.
- Computers and free wifi for customers to job-surf, write CVs or make claims

**2** **Pension Services** - ***Usage expected to increase as population ages***

- Face-to-face meetings to claim benefits
- IT training to assist retirees with no internet access or difficulty using online services

**3** **Child Maintenance Services** - ***Stable usage regardless of economic conditions***

- Face-to-face meetings to discuss more complicated child maintenance cases
- Registration and declaration of child maintenance received

**4** **Disability Services** - ***Stable usage regardless of economic conditions***

- On-site medical examination centres as part of the Work Capability Assessment for disability benefit
- Training programmes such as Specialist Employability Support and Work and Health Programmes

### Back of house – various support functions without public-facing element

**Back of House**
**14.5%[2]**

**5** **Support functions** – ***Usually larger, critical centres for supporting the administration of DWP services***

- Service roll out planning (e.g. Universal Credit)
- Claims processing, finance and accounts
- Fraud detection and investigation
- Call centre & IT support

**Notes:**
1. Including mixed use properties with a medical centre, back office or retail component in addition to the Jobcentre Plus.
2. Of DWP's assets in the portfolio as at 31 December 2022.

# Typical Lease Arrangements for the UK Office Sector

ELITE COMMERCIAL REIT

- **Lease terms:**
  - Lease terms are fixed and typically for 5-10 years
- **Rent increase/review:**
  - Rents are reviewed against the open market rent typically every 5 years. Reviews for shorter leases may be more frequent. Commercial leases typically impose upward only rent reviews which allow for rents to be increased but never decreased
- **Service charge**:
  - The tenant is responsible for pro-rated share in addition to the rent, payable quarterly
- **Break clauses**:
  - The landlord may grant a break clause which gives one or either party the right to end the lease sooner by giving notice either at any time or between specified dates
- **Assignment/Subletting**:
  - Landlords' approval for subletting and assignment is generally not to be unreasonably withheld but parameters are set out in the lease terms. Subleases are often granted outside the protection of the Landlord and Tenant Act 1954 (as amended)
- **Repairs and insurance**:
  - Usually, the tenant will have direct responsibility for repairing the internal parts included in the lease terms and the landlord will agree to repair and insure the external structure and the common parts retained by the landlord. The landlord’s costs for repairs and insurance are typically borne by the tenants via the service charge
  - Tenants will usually be made responsible for the regular redecoration of the premises let out under the leases
- **Alterations**:
  - The landlord may restrict alterations that can be made to the demise and alterations will usually require the landlord’s consent. The landlord has the right to insist that the tenant removes the alterations and restores the premises at the end of the lease
- **Dilapidations**:
  - The tenant has the responsibility to return the building to its original condition at the end of the lease. The term 'dilapidations' is normally used to cover defects and disrepair that the tenant will be required to deal with or pay to have remedied when they vacate the premises at the end of the lease. Landlords cannot generally make dilapidations claims earlier than three years before the end of the lease