ELITE COMMERCIAL REIT

ELITE COMMERCIAL REIT DELIVERS RESILIENT FY 2022 PERFORMANCE; REPORTS FY 2022 DPU OF 4.81 PENCE

- ***FY 2022 revenue increased 6.7% to £37.1 million; DPU stood at 4.81 pence;***
- ***High portfolio occupancy of 97.9%, with 100% of three-month rent collected in advance***
- ***Lease renewal for St Katherine's House, Northampton with 12% rental uplift, providing income visibility for about six years***
- ***Portfolio valuation of £466.2 million as at 31 December 2022***

Summary of Financial Results

	2H 2022 (£'000)	2H 2021 (£'000)	Variance (%)	FY 2022 (£'000)	FY 2021 (£'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)

SINGAPORE, 14 February 2023 **– Elite Commercial REIT Management Pte. Ltd.*,*** the manager (the **"Manager"**) of Elite Commercial REIT (the "**REIT**"), today announced the REIT's financial results for the half-year and full-year ended 31 December 2022 ("**2H 2022**" and "**FY 2022**" respectively), where the REIT reported revenue of £18.4 million and distributable income to Unitholders of £10.9 million for 2H 2022, 2.5% and 18.8% lower year-on-year. 2H 2022 DPU stood at 2.25 pence.

Resilient Financial Performance

In FY 2022, the REIT generated revenue growth of 6.7% to £37.1 million compared to the previous corresponding period ("**FY 2021**"). Distributable income for FY 2022

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

declined 5.8% year-on-year to £23.1 million, mainly due to increased borrowings for the full period and interest cost on borrowings, marginally lower occupancy rate from vacancies at two assets and election of the Manager's fees in cash, partially offset by the full period of rental contribution from the REIT's maiden acquisition.

As a result, the REIT reported DPU of 4.81 pence in FY 2022. The record date for the DPU is 22 February 2023, and payment is expected to be made on 30 March 2023.

Net asset value ("**NAV**") per unit came in at £0.52 as at 31 December 2022, compared to £0.61 as at 31 December 2021. Gearing ratio stood at 45.8% as at 31 December 2022.

Elite Commercial REIT's portfolio occupancy remains high at 97.9% as at 31 December 2022. The Manager continues to consistently collect 100% of rent for the three-month period of January 2023 to March 2023 in advance and within seven days of the due date. Weighted average lease expiry ("**WALE**") remains long at 4.8 years as at 31 December 2022.

Ms. Shaldine Wang, Chief Executive Officer of the Manager, said: "The Manager focuses on active tenant engagement and collaboration, particularly with our primary occupier, the UK's Department for Work and Pensions ("**DWP**"), to cement the REIT's resilience amidst the current macroeconomic headwinds. Coupled with capital management initiatives carried out over the year, the REIT delivered a resilient performance. We have also achieved greater income visibility through the removal of lease break clauses for the majority of our assets leased to the DWP, signed lease renewal, as well as built-in inflation-linked rental escalations to take effect in April 2023.

"The REIT is well-positioned to weather the ongoing uncertainties and deliver stable unitholder value, and strive to pursue growth potential through exploring acquisitions, proactive asset management and expanding sustainability collaborations to 'green' the portfolio and improve energy efficiency of the assets."

Notable Developments

The Manager has successfully renewed the lease at St Katherine's House, Northampton, for another five years with a 12% rental uplift, providing income certainty for about six years up to December 2028. The positive outcome was a result of early and proactive tenant engagement by the Manager, adding to the Manager's proven track record.

Following the favourable outcome of the major Lease Re-gearing exercise in 2022 where the March 2023 lease break clause was removed from the leases of 109 assets occupied by the DWP and MOD, a total of 134 assets in the portfolio 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 rental reductions following the rental uplift. The estimated range of rental escalation for the 134 assets is between 11.0% and 15.4%.

In the next 12 months, 10 assets are expected to be vacating. Including John Street, Sunderland and Sidlaw House, Dundee, which vacated in 2022, there is a total of 12 assets which are vacant and vacating. The Manager expects vacancy holding costs to increase while the Manager actively markets these assets to potential occupiers. After taking into account the rental escalation of these 134 assets, coupled with rental reduction of 11 assets following the uplift and the impact of portfolio vacancies, the revenue and net property income for the business are expected to be stable.

Proactive Asset Management

The REIT Manager's asset management strategy remains focused on actively formulating the appropriate asset management strategy for each asset, with a view to maximising value outcomes and minimising holding costs. These strategies include negotiating for reasonable dilapidation settlement outcomes, appraising a variety of options including potential re-letting as an office or other uses, disposal with vacant possession or following re-letting and seeking consent for alternative uses (conversion or redevelopment) where those offer the best outcomes. Further updates will be provided at the appropriate time.

Resilient Portfolio Valuation

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.

Sound Capital Management

The Manager expects borrowing costs for the REIT to remain elevated in the next 12 months until a time when there are signs that Bank of England ("**BoE**") would reduce interest rates. The REIT is largely insulated from rising interest costs, with approximately 69% of its interest rate exposure fixed. As part of prudent capital management, the Manager did a partial repayment of the £6.6 million bridge loan, paring it down to £3.2 million. Besides this, there are no material refinancing needs in FY 2023.

2022 Year in Review

The Manager kicked off 2022 with the major success of removing the March 2023 lease break options from 109 assets, enhancing the REIT's lease stability and income visibility until March 2028 for 87.6% of the total REIT's portfolio based on FY 2022's gross rental income.

The Manager also secured its first sustainability collaboration with its main occupier, the UK's Department for Work and Pensions ("**DWP**"), in a move to align its sustainability strategy with the UK's national climate goals of achieving net zero carbon emission by 2050. The successful collaboration was then rapidly expanded to another occupier, the UK's Ministry of Defence ("**MOD**"), strengthening the landmark innovative public-private partnership.

In October 2022, the Manager established a S$300 million multicurrency debt issuance programme. Additionally, the Manager completed the loan facility extension exercise for £94 million in borrowings ahead of the January 2023 loan maturity with existing financial institutions, extending the REIT's debt maturity profile. The extended loan facility will now mature on 25 January 2025, with a built-in extension option of one year from new loan maturity date, subject to certain financial covenants.

Most recently in November 2022, the REIT secured its inaugural green loan facility in the form of a £15 million revolving credit facility, which remains undrawn as at 31 December 2022. The facility was raised under the REIT's newly established Sustainable and Sustainability-Linked Finance Framework, with proceeds to be used by the Manager to fund agreed upon sustainability-related asset enhancement initiatives and eligible green projects for assets occupied by the DWP and MOD, including existing and new projects in the future.

During the recent FTSE ST Index Series review in September 2022, the REIT was included in the FTSE ST Small Cap Index. Among other indices, it is also worth noting that the REIT is also a constituent of iEdge SG Thematic Indices, namely the iEdge SG Real Estate Index and the iEdge SG ESG Transparency Index.

Outlook and Prospects

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[2]. On an annual basis, UK's gross domestic product ("**GDP**") is estimated to have grown by 4.1% in 2022[2]. 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[3].

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[4].

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[2] *Office for National Statistics, GDP monthly estimate, UK: December 2022, 10 February 2023.*
[3] *Bank of England, Monetary Policy Report, Monetary Policy Committee, February 2023.*
[4] *Office for National Statistics, Consumer price inflation, UK: December 2022, 18 January 2023.*

Annual CPI inflation is expected to fall to around 4% towards the end of this year[3]. Bank of England's ("**BoE**") 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%[3].

UK's unemployment rate rose by 0.2 percentage points to 3.7% in the three months to November 2022[5]. Despite six consecutive quarterly falls, the number of vacancies remains at historically high levels[5]. The unemployment rate is projected to rise to around 5.25% in the medium term[3].

Claimant count for people claiming unemployment-related benefits from DWP in December 2022 stood at 1.56 million, 16.2% lower from a year ago[6]. Despite the falling numbers, claimant count remains above pre-pandemic levels, and DWP's services remain essential to the UK social fabric.

The Manager remains on the lookout for growth opportunities, which may be available to the REIT through its Sponsors' right of first refusal ("**ROFR**") 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 almost 100% of its rent a quarter in advance.

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[5] *Office for National Statistics, Labour market overview, UK: January 2023, 17 January 2023*
[6] *Office for National Statistics, Claimant Count, 17 January 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. 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-credit rated UK Government and a long weighted average lease expiry of 4.8 years. All the leases are on full repairing and insuring[10] (“**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. 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.

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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 valuation.*
[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.*

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

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