



Elite Commercial REIT

# Investor Presentation

23 February 2023

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## II. Elite Commercial REIT Growth Strategy



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### Elite Commercial REIT is a constituent of:



FTSE ST All-Share Index  
FTSE ST Small Cap Index



MSCI Singapore All Cap Index  
MSCI World All Cap Index  
MSCI Pacific All Cap Index



iEdge S-REIT Index  
iEdge SG Thematic Indices:

- 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



Section I

# Overview of Elite Commercial REIT



Nutwood House, Canterbury

# First & Only UK-Focused S-REIT

Over 99% Leased to the AA-rated UK Government<sup>(1)</sup>



**£466.2m<sup>(2)</sup>**  
Portfolio value



**155**  
Office Assets



**AA-rated**  
UK sovereign  
credit rating



**97%**  
Freehold<sup>(3)</sup>

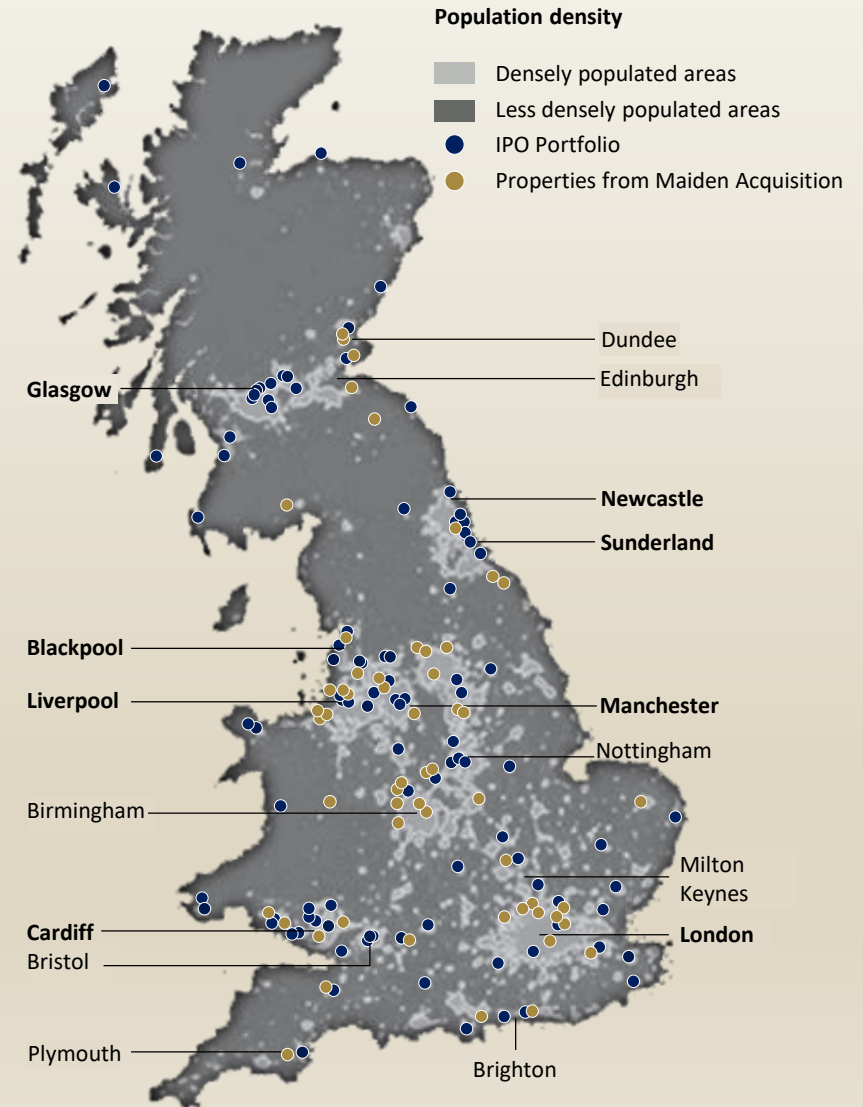


**Triple Net**  
Full Repairing &  
Insuring Leases<sup>(4)</sup>



**2023 Rent Review**  
Built in Inflation-  
linked Rent Uplift<sup>(5)</sup>

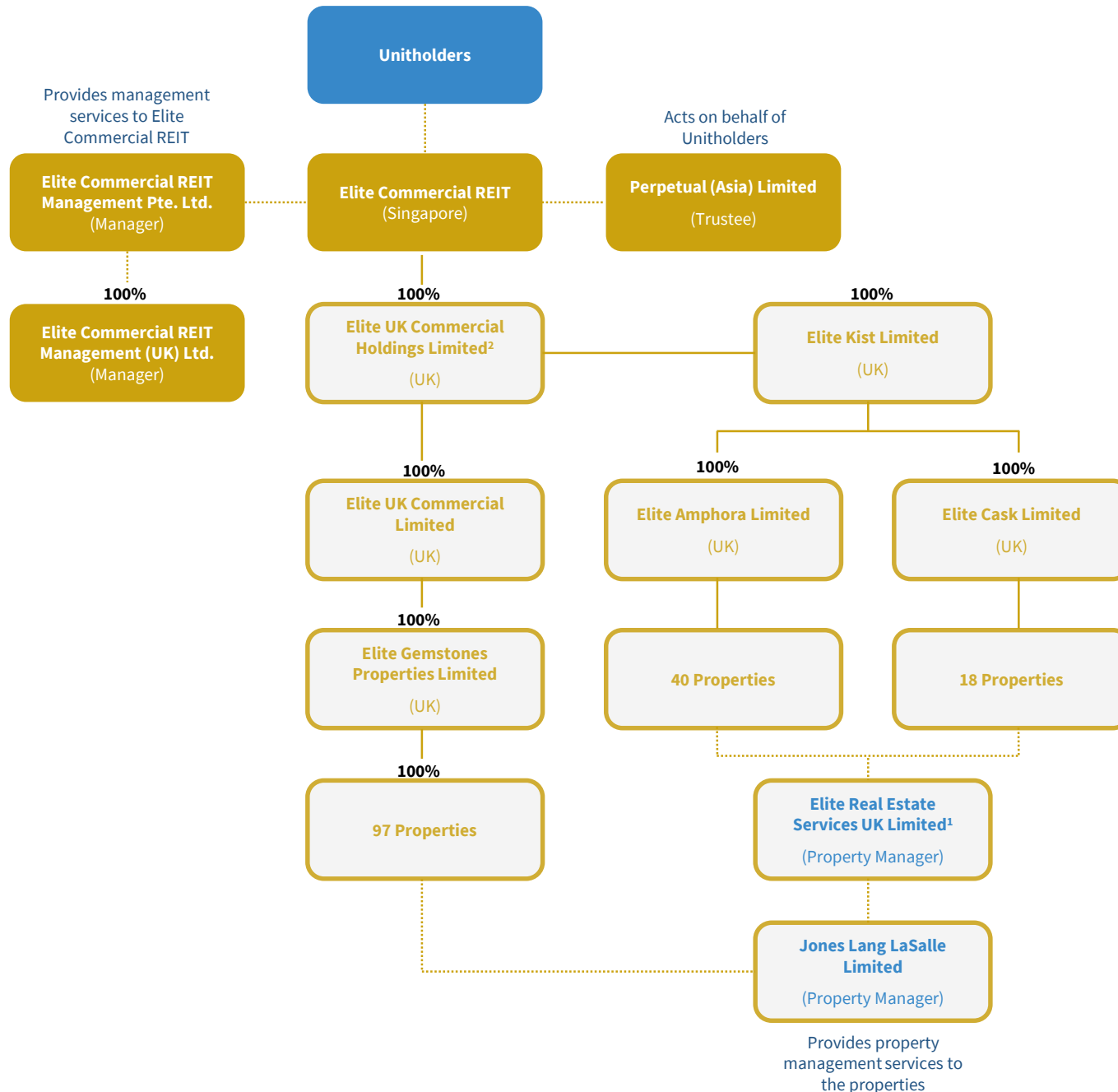
## Geographically Diversified with a network of strategically well-located assets across the UK



### 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.

# Elite Commercial REIT Group's Entities



1. Elite Real Estate Services UK Limited has been appointed Property Manager to Elite Amphora and Elite Cask Limited.

2. Elite UK Commercial Investments Limited (UK), a wholly owned subsidiary of Elite UK Commercial Holdings Limited, is currently undergoing liquidation and will exit the REIT Structure.

# Elite Commercial REIT Sponsors



- Elite Partner Holdings is the investment holding firm for Elite Partners Group, established to deliver lasting value for investors based on common interests, long-term perspectives and a disciplined approach.
- Backed by a team with proven expertise in private equity and REITs, its threefold investment philosophy aims to protect initial capital, enhance investment value and create new growth opportunities.



- Incorporated in 1996, Ho Lee Group Pte. Ltd. (“**HLG**”) has extensive experience across the real estate value chain, from general building construction to industrial and residential development.
- HLG was also one of the major sponsors of Viva Industrial Trust (which has since merged with ESR-LOGOS REIT) during its initial public offering and listing on the SGX-ST in November 2013.



- Sunway RE Capital Pte. Ltd. is a wholly-owned subsidiary of Sunway Berhad - one of Malaysia’s largest conglomerates with businesses in property development, property investment, REIT, construction, healthcare, hospitality, leisure, quarry, building materials, as well as trading and manufacturing.
- The Sunway Berhad Group comprises three public listed entities - Sunway Berhad, Sunway Construction Group Berhad and Sunway REIT.

## Demonstrated Support from Sponsors

- ✓ Each Sponsor has provided Elite Commercial REIT with a right of first refusal over all future UK commercial assets.
- ✓ Elite Commercial REIT is able to leverage on the Sponsors’ extensive real estate expertise, financial strength and strong sourcing capabilities in the UK.



Section II

# Elite Commercial REIT Growth Strategy



Nutwood House, Canterbury



# Value Creation Strategies

## 1 Acquisition Growth Strategy



### 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

## 2 Proactive Asset Management



### Maximising Value

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

## 3 Sustainability Integration



### ‘Green’ Collaborations

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



# 1. Acquisition Growth Strategy

- The Manager will pursue opportunities to undertake acquisitions of assets that are accretive to the REIT portfolio, including those that are strategically located primarily in town centres, close to transportation nodes and amenities.



## Value Accretive Opportunities

- ✓ Employ a rigorous research-driven selection process to identify value accretive commercial properties that generate attractive cash flows and yields



## Investment Mandate: UK Commercial Properties

- ✓ Adopt a long-term investment approach to enhance future income and capital growth via investment in quality UK commercial assets



## Focused on Sovereign Credit

- ✓ Diversified tenant base including the Ministry of Defence, HM Courts and Tribunals Service and Home Office backed by UK's AA sovereign credit rating

# 2. Proactive Asset Management

Regular and active engagements with current and potential occupiers

## 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 primary occupier, DWP, to realise asset enhancement works leading to improvement in energy efficiency of assets occupied by them
- Working on strategies to expand the successful sustainability collaboration with DWP to other occupiers

### 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



## Lease Renewal

### St Katherine's House, Northampton

- The Manager has successfully renewed<sup>(1)</sup> 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

#### Notes:

<sup>1</sup> Completed in January 2023.

## 2. Proactive Asset Management

- 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



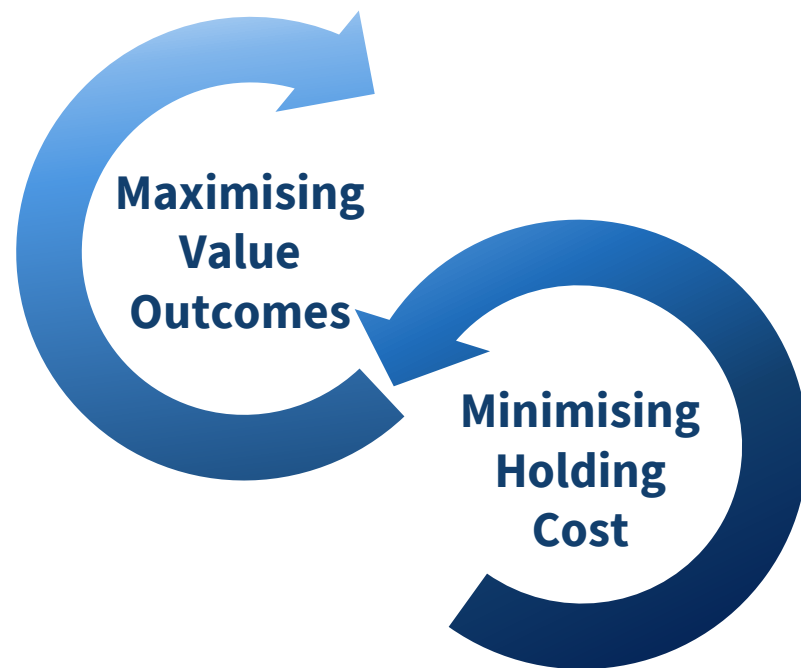
Potential re-letting as an office or other uses



Disposal with vacant possession or following re-letting



Seeking consent for alternative uses (conversion or redevelopment) where those offer the best outcomes



# 3. Sustainability Integration

Integration of sustainability considerations into overall strategy



**Sustainability Collaboration with the UK Government’s DWP and MOD to ‘green’ the buildings leased to the government departments**



## Key terms of the collaboration

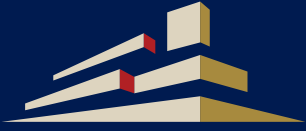
- 1 Sustainability Contribution**  
Notwithstanding the FRI<sup>(1)</sup> leases, the REIT commits to invest an aggregate of ~£14.8 million<sup>(2)</sup> over three years towards agreed upon asset enhancement works on the REIT’s properties occupied by DWP and MOD, to be funded through sufficient internal sources like existing and new debts, and cash retained from dividend reinvestment plan
- 2 Agreed upon works**  
Examples of such works include repair, replacement or upgrade of the lighting systems, heating and cooling systems, insulation and solar panels, and other initiatives
- 3 Improve energy efficiency**  
Such works are likely to improve the properties’ energy efficiency to a more sustainable standard, resulting in an upgrade of the Energy Performance Certificate (“**EPC**”) ratings<sup>(3)</sup> for the properties
- 4 Integrating sustainability into business strategy**  
Proactive strategy ensures that the REIT’s portfolio of properties remain relevant and enhances the long-term value of Elite Commercial REIT and in alignment with UK Government’s commitment to achieve net zero carbon emissions by 2050<sup>(4)</sup>

### Notes:

1. 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 for occupied assets.
2. Comprising £14.67 million of Sustainability Contribution to DWP-occupied assets and £0.1 million of Sustainability Contribution to the MOD-occupied asset.
3. An EPC measures the energy efficiency of a property on a scale of A to G. It contains information about a property’s energy use and typical energy costs, as well as recommendations about how to reduce energy use and cost.
4. Gov.UK, HM Government, Net Zero Strategy: Build Back Greener, October 2021.

## Section III

# Key Credit Highlights



ELITE COMMERCIAL REIT



Nutwood House, Canterbury

# Key Credit Highlights

1

## **Over 99% of Income from AA-rated UK Government**

Primary occupier is DWP, entrusted to administer crucial welfare services

2

## **Secured Distributions**

Consistently achieved ~100% of rental collection in advance since listing

3

## **Well-located Assets with Strong Fundamentals**

Predominantly freehold office assets with long WALE across the UK

4

## **Prudent Capital Management**

Debt diversification strategy & proactive treasury management strategy

5

## **Tax Efficient Structure and Natural Hedge**

Structured to be on par with other UK REITs with minimal currency mismatch

6

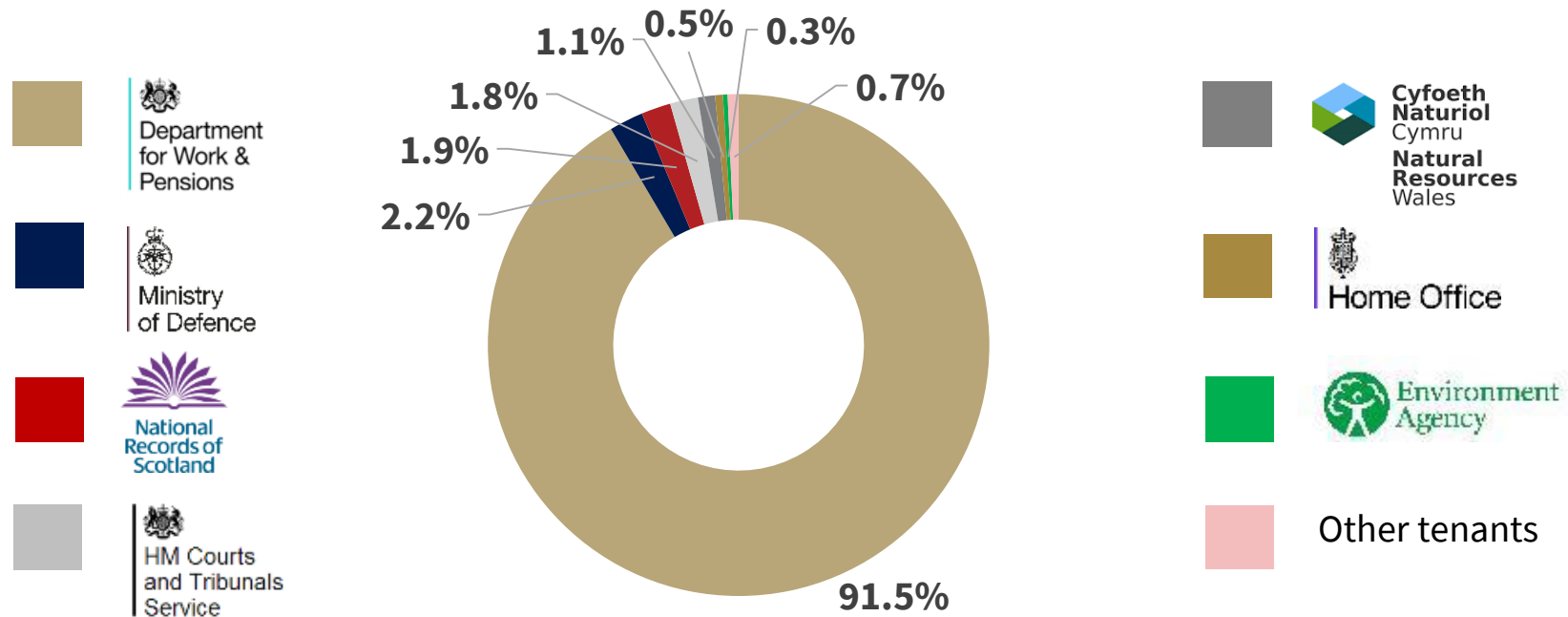
## **Anchored by Strong Governance**

Majority Independent Board of Directors overseeing the REIT's operations

# 1. Over 99% of Income from AA-rated UK Government<sup>(1)</sup>

- ✓ Strong underlying tenant base 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<sup>(2)</sup>



### 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.



# 1. Over 99% of Income from AA-rated UK Government

Crucial public infrastructure



## DWP as the Primary Occupier of the REIT

- Constitutes 91.5% of the income of the REIT
- An occupier to 145 assets of the REIT, of which 85.5% are used to provide front of house services such as Jobcentre Plus with other ancillary services
- Leases with DWP are on Full Repairing and Insuring leases<sup>(1)</sup>. Further details on typical lease arrangements in the UK are in the Appendix

## 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<sup>(2)</sup>, £217 billion was paid out in benefits and pensions for the year ended 31 March 2022<sup>3</sup>
- Services provided primarily via Jobcentre Plus centres (“JCP”)
- Integral in supporting UK's social fabric

## 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. 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.

2. “National Statistics, DWP benefits statistics: May 2022”, Gov.UK, 17 May 2022.

3. “Corporate report, DWP Annual Report & Accounts 2021 to 2022”, Gov.UK, 28 July 2022.

## 2. Secured Distributions

Consistently achieved ~100% of rental collection in advance since listing



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

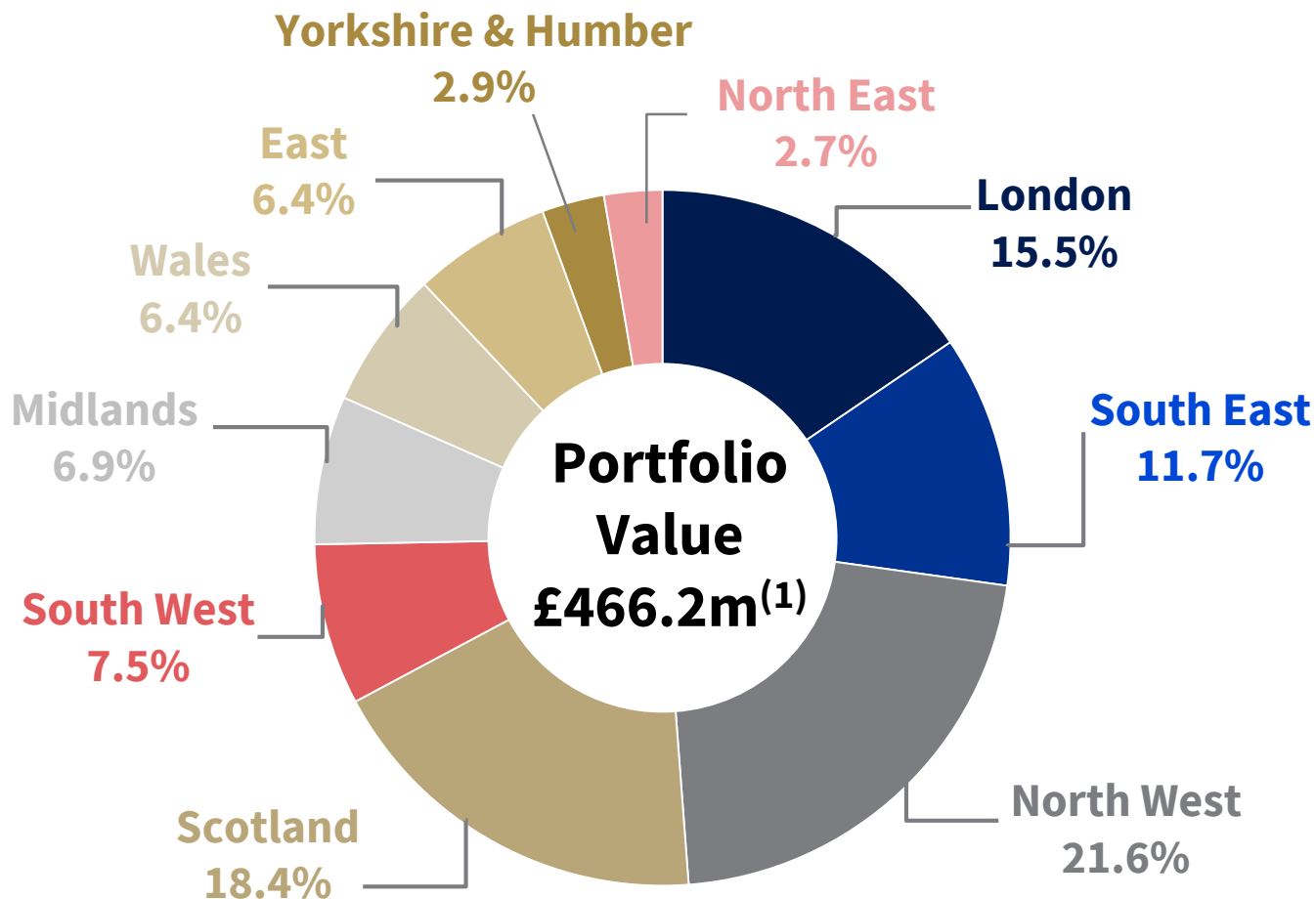


High Road, Ilford

### 3. Well-located Assets with Strong Fundamentals

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

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



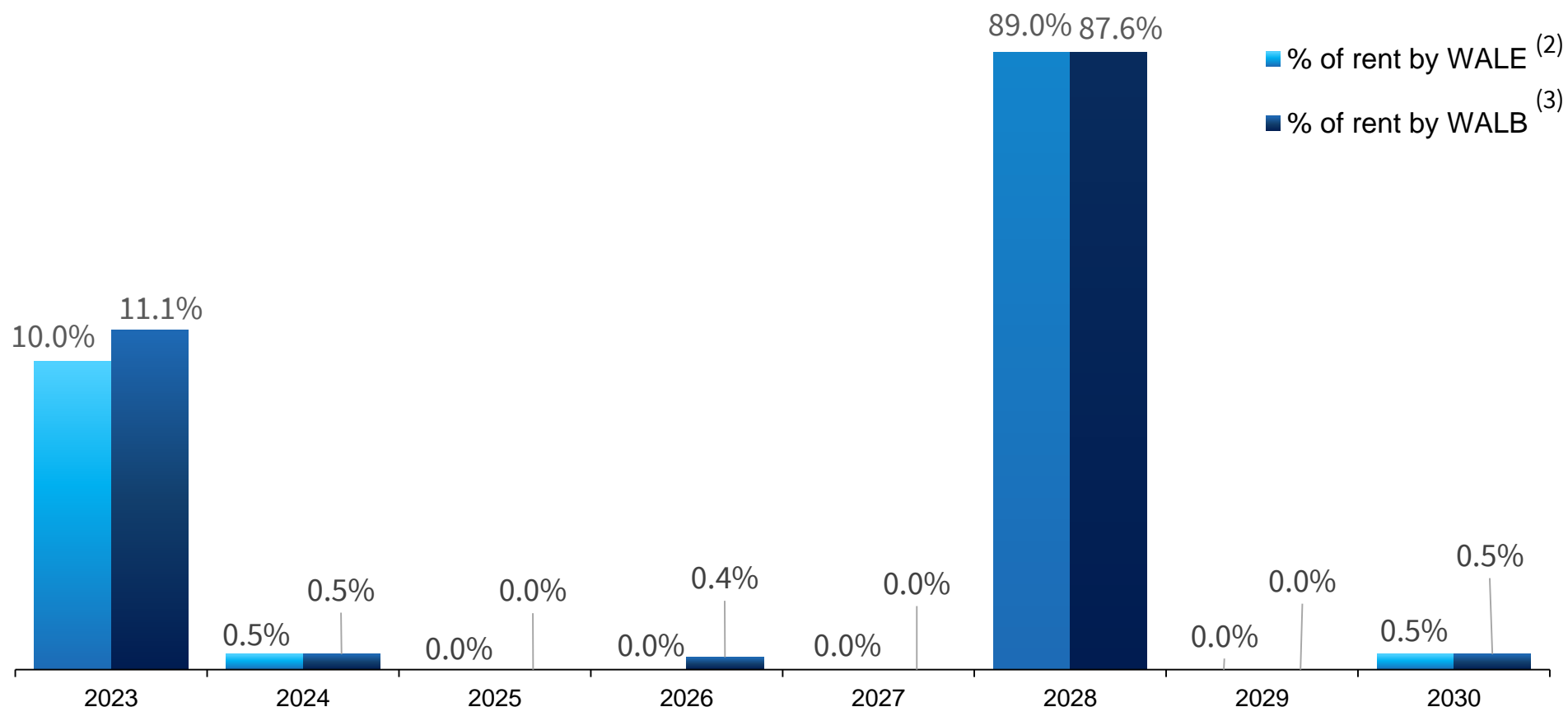
**Note:**

1. As at 31 December 2022.

# 3. Well-located Assets with Strong Fundamentals



## Lease Expiry Profile as at 31 December 2022 (% of total portfolio rent)<sup>(1)</sup>

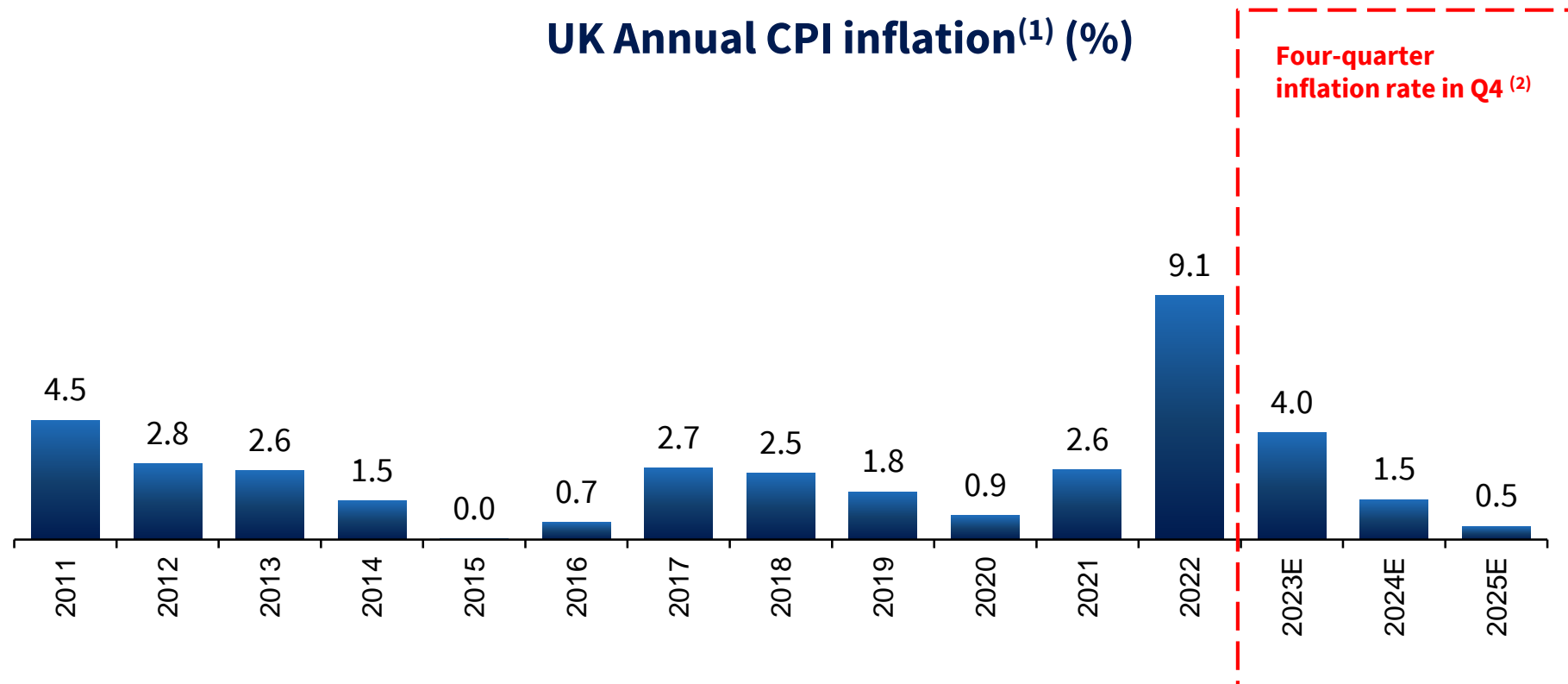


**Notes:**

1. Discrepancies between the listed figures and totals thereof are due to rounding. The illustration above is not drawn to scale.
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.

### 3. Well-located Assets with Strong Fundamentals

- 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



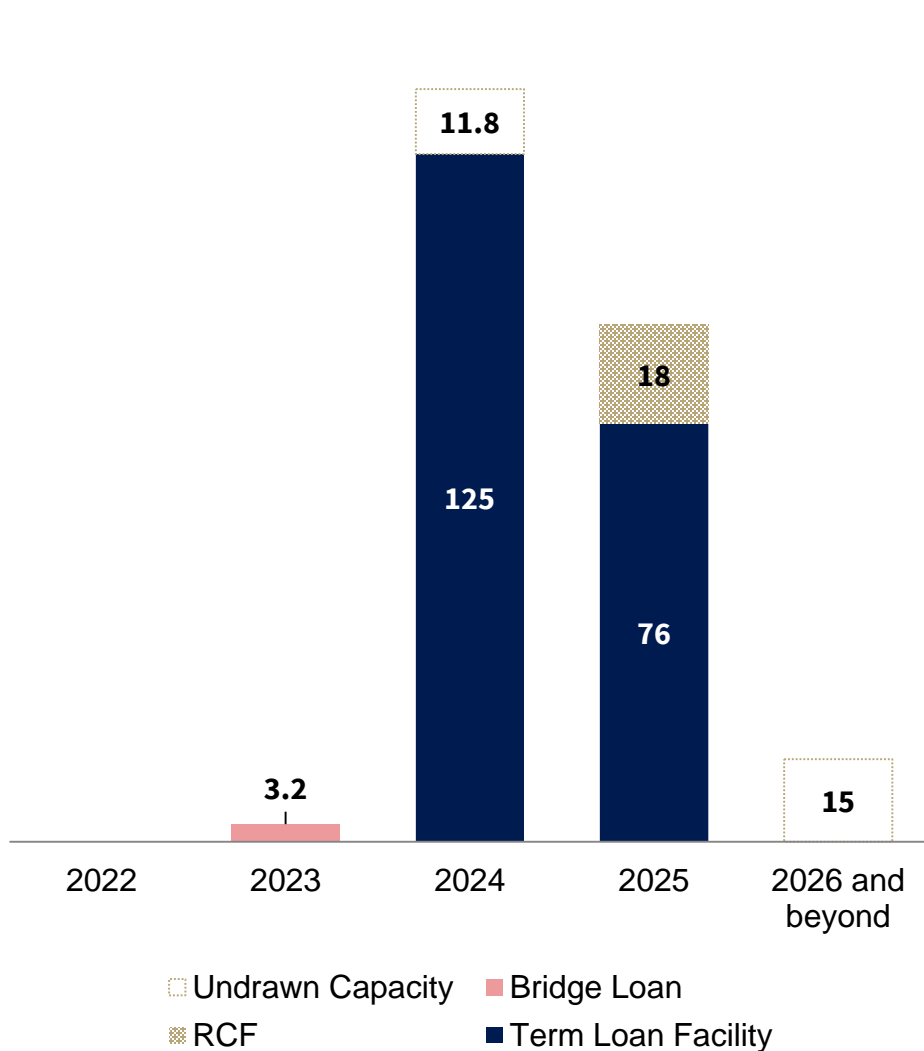
**Notes:**

1. Office for National Statistics, Gov.UK, CPI Annual Rate 00: All Items 2015=100.

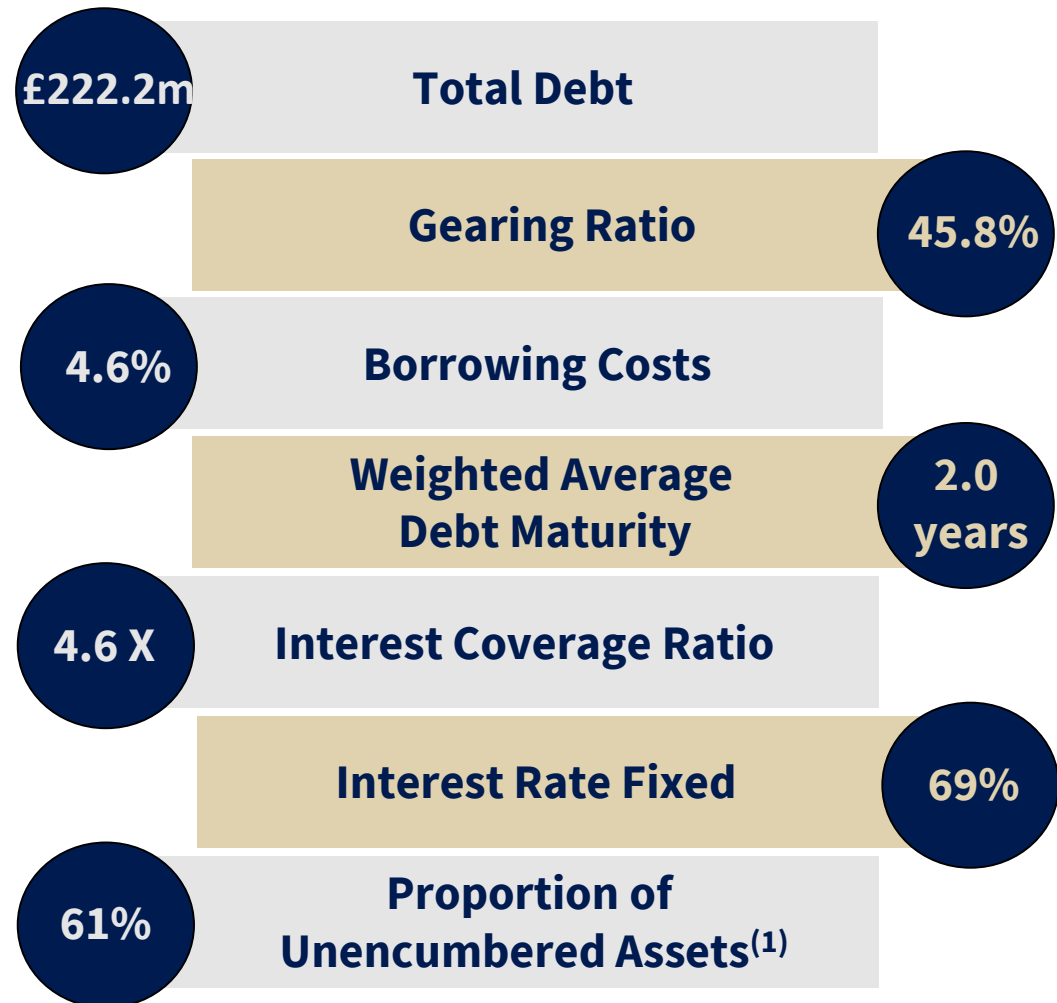
2. Bank of England, Monetary Policy Report February 2023.

# 4. Prudent Capital Management

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



**Credit Metrics**  
(as at 31 December 2022)



**Notes:**

1. Based on valuations; unencumbered assets refer to properties without land mortgages.

# 5. Tax Efficient Structure and Natural Hedge

**Successful technical listing** of UK entity, Elite UK Commercial Holdings Limited (“**ECHL**”), on The International Stock Exchange (“**TISE**”) with effect from 26 Aug 2021

## Immediate Benefits:



### Lower tax expenses

Reduced applicable headline tax rate from 19% to 15%<sup>(1)</sup>

## Future Benefits:



### Protects from future tax rises

Exemption from UK corporation tax, which is currently at 19% and is legislated to rise to 25% from 1 April 2023



### On future corporate acquisitions

Any unrealised gains<sup>(2)</sup> on the properties upon entry is expected to be eliminated

## Naturally hedged against forex fluctuations



Assets and liabilities as well as declared distributions are denominated in British Pound

## Largely insulated from interest rate hikes



Approximately 69% of interest rate exposure is fixed, post-extension of £94 million loan

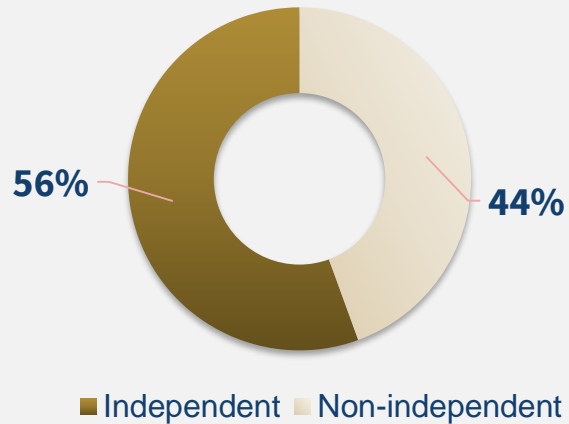
### Notes:

1. Pursuant to the Double Taxation Treaty between the UK and Singapore, any UK withholding tax applicable on UK property income distributed by ECHL to Elite Commercial REIT is expected to be limited to 15%.
2. And its corresponding provision of deferred tax liabilities.

# 6. Anchored by Strong Governance

In driving sustainable value and performance

## Board Independence



9 Board Members



Chairman of the Board is an Independent Director and also chairs the Sustainability Committee



55.6% of the Board are Independent Directors

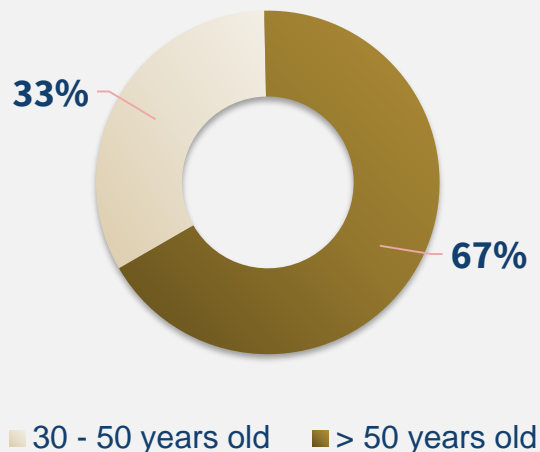


All members of the Audit and Risk Committee (“**ARC**”), including the Chairman of the ARC, are Independent Directors



Chairman of the Nominating and Remuneration Committee (“**NRC**”) is an Independent Director

## Board Age Composition



## Management Team



**Shaldine Wang**  
Chief Executive Officer



**Joel Cheah**  
Chief Financial Officer



**Jonathan Edmunds**  
Chief Investment Officer



**Chai Hung Yin**  
Assistant Vice President,  
Investor Relations





## Section IV

# Key Financial Highlights




Holborn House, Derby

# FY 2022 Highlights

## Stable Financial Performance



FY 2022  
Revenue

 **6.7% y-o-y**



FY 2022 Distribution  
per Unit (“DPU”)

**4.81 pence<sup>(1)</sup>**



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:**

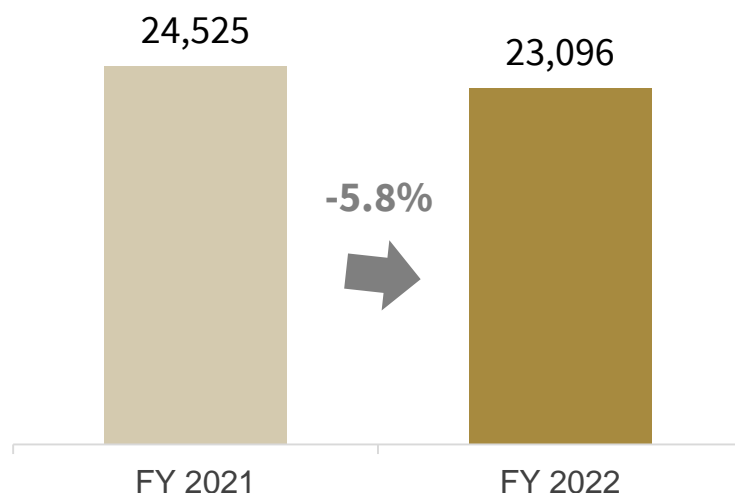
1. Includes the 1H 2022 Interim Distribution of 2.56 pence per Unit declared on 5 August 2022 and paid on 22 September 2022.

# Resilient Financial Performance

## FY 2022 Distributable Income

**£23.1 million**

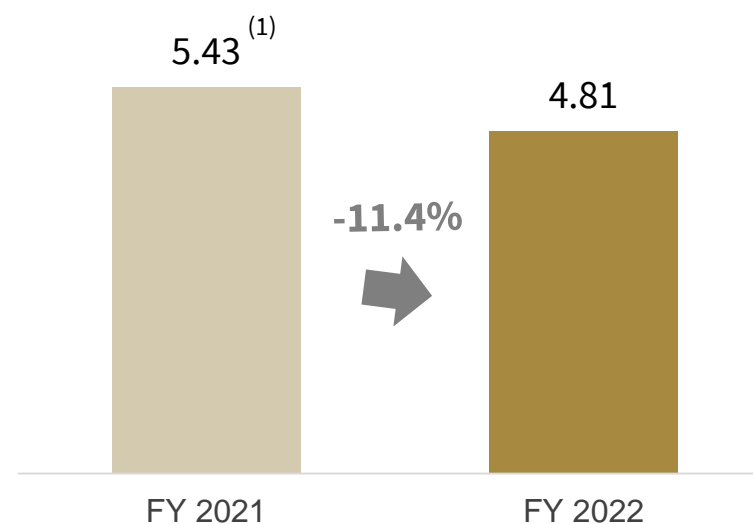
**Distributable Income generated during the period (£'000)**



## FY 2022 Distribution per Unit

**4.81 pence**

**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	FY 2021	FY 2020 <sup>(1)</sup>
	Actual £'000	Actual £'000	Actual £'000
Revenue	37,075	34,731	20,963
Amount generated during the period for distribution to Unitholders	23,096	24,525	14,843
Distribution per unit (“ <b>DPU</b> ”) - pence	4.81	5.43 <sup>(2)</sup>	4.44

**Note:**

1. Actual FY 2020 refers to the financial period from 6 February 2020 (Listing Date) to 31 December 2020.
2. 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	31 Dec 2020 £'000
Non-current assets	460,042	501,855	311,855
Current assets	26,753	31,509	21,034
<b>Total assets</b>	<b>486,795</b>	<b>533,364</b>	<b>332,889</b>
Non-current liabilities	216,468	222,290	107,826
Current liabilities	22,426	22,055	7,905
<b>Total liabilities</b>	<b>238,894</b>	<b>244,345</b>	<b>115,731</b>
<b>Net assets / Unitholders' funds</b>	<b>247,901</b>	<b>289,019</b>	<b>217,158</b>
<b>Units in issue and issuable ('000)</b>	<b>481,128</b>	<b>476,506</b>	<b>334,858</b>
<b>Net asset value per unit (£)</b>	<b>0.52</b>	<b>0.61</b>	<b>0.65</b>

# Capital Management Activities

## Capital Management Activities in FY 2022

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

job  
centre  
plus



Section V

# Sustainability Initiatives & Sustainable Finance Framework

Crown House, Grantham

# ‘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 including direct expansion cooling, modifications to existing ductwork and replacement of Building Management System
- ✓ Roofing replacement projects



## Green Lease Clauses

### St Katherine's House, Northampton

- Inclusion of specific green lease wordings<sup>(1)</sup> during the recently signed five-year lease renewal at St Katherine's House, Northampton

**Note:**  
1. Refers to green lease clauses within a lease agreement which facilitates the sharing of environmental data by our occupiers.



# Elite Commercial REIT's Sustainable and Sustainability-Linked Finance Framework



- ✓ In November 2022, Elite Commercial REIT established a Sustainable and Sustainability-Linked Finance Framework (“**Framework**”) to advance its journey on sustainability and demonstrate how it may raise funds through Sustainable Finance Instruments (“**SFIs**”), to support projects and activities that deliver positive environmental, social and sustainability impacts.
- ✓ The Framework also documents Elite Commercial REIT’s assessment to map its material ESG topics towards nine (9) relevant United Nation Sustainable Development Goals.
- ✓ The Framework is aligned with market leading standards published by, amongst others, the International Capital Markets Association (“**ICMA**”) and ASEAN Capital Market Forum (“**ACMF**”).
- ✓ The Framework was independently reviewed by DNV Business Assurance Singapore Pte. Ltd. (“**DNV**”), who has issued a Second Party Opinion stating that the Framework meets the criteria established in the relevant ICMA principles/guidelines and ACMF standards.



## Use of Proceeds

Net proceeds of SFIs will be used to finance or refinance, in whole or in part, new or existing eligible projects that meet one or more of the following Eligible Green and Social Categories:

- ✓ Access to Essential Services
- ✓ Employment Generation
- ✓ Socioeconomic Advancement and Empowerment
- ✓ Sustainable Water and Wastewater Management
- ✓ Green buildings
- ✓ Energy efficiency
- ✓ Renewable energy
- ✓ Waste Management

## External Review and Reporting

- ✓ **Pre-issuance, Second Party Opinion issued by DNV**, who has independently reviewed the Framework. The Framework and Second Party Opinion will be published on Elite Commercial REIT’s website in due course.
- ✓ **Post-issuance, Limited Assurance Report** of the allocation of the SFIs provided by an independent verifier/ external auditor, starting one year after issuance and until full allocation.
- ✓ **Post-issuance, Allocation Report and Impact Report** including a list of Green and Social Projects, the brief description of the projects, the amounts allocated and their expected impact.



# Thank You

For enquiries, please contact:

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Website





Section VI

# Appendix



Tannery House, Alfretton

# Typical Lease Arrangements for the UK Office Sector



- **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