

Elite Commercial REIT

3rd Annual General Meeting

25 April 2023

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Content



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Elite Commercial REIT's Sponsors:



SUNWAY[®]

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 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-credit rated UK Government⁽¹⁾



£466.2m⁽²⁾
Portfolio value



155
Office Assets



AA-rated
UK sovereign
credit rating



97%
Freehold⁽³⁾

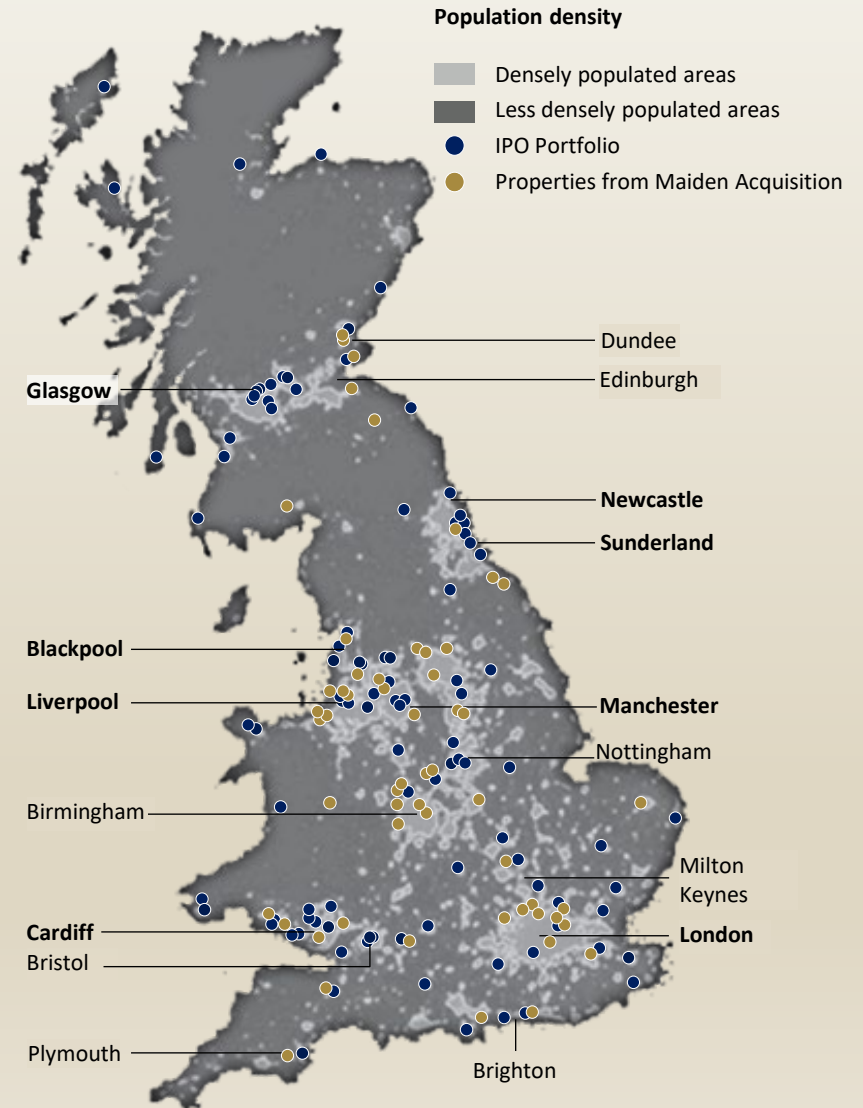


Triple Net
Full Repairing &
Insuring Leases⁽⁴⁾



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.

Income Certainty and Visibility



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



Upper Huntbach Street, Stoke-On-Trent



Glasgow Benefits Centre, Glasgow



High Road, Ilford



Section II

FY 2022

Key Highlights



Holborn House, Derby

FY 2022 was a challenging year

Global macroeconomic uncertainties



- ↑ Heightened energy prices & Inflation rates spiked worldwide
- ↑ Central banks raced to hike interest rates



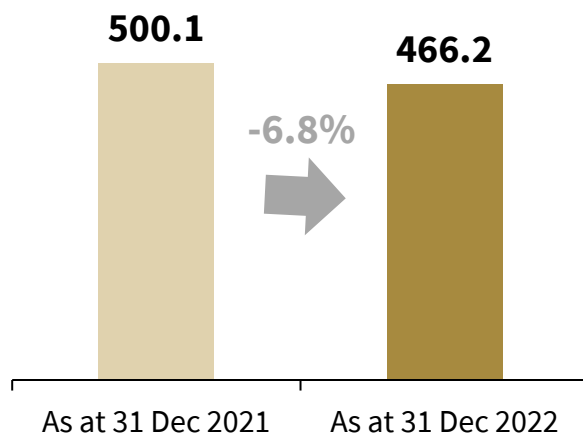
- ↑ Bank of England raised UK's interest rate to 4.25% in Mar 2023 from a low of 0.1% in Dec 2021
- ↑ Borrowing costs for real estate loans soared



Domestic political events dominated the UK in 2H 2022, exacerbating the already dire global macroeconomic conditions


Impact on Elite Commercial REIT

Portfolio Valuation (£ million)




Portfolio valuation decreases and causes net asset value (“NAV”) per unit to decrease and gearing ratio to increase

As at 31 December 2022:



NAV per unit
↓ **£0.52**



Gearing ratio
↑ **45.8%**

Key Milestones Achieved in FY 2022

Proactive Asset Management



Completed major lease re-gearing
109 assets
have lease break option removed



Lease stability and income visibility for
87.6%
of total portfolio⁽¹⁾



Secured landmark
Sustainability collaboration
with the UK's Department for Work and Pensions & Ministry of Defence

Prudent Capital Management



Extended
£94.0 million
in borrowings ahead of maturity, no material loan coming due in FY 2023



Secured inaugural
£15.0 million
Green revolving credit facility to fund sustainability enhancement works



Established
\$300.0 million
Multicurrency Debt Issuance Programme, diversifying funding sources



Note:

1. Based on annualised gross rental income as at 31 December 2022.

Valuation Methodology







- The REIT’s valuation as at 31 December 2022 was performed by an independent valuer, Knight Frank LLP
- The valuation methodology was based on the Income Capitalisation Method

$$\text{Market Value} = \frac{\text{Net Operating Income}}{\text{Capitalisation Rate}}$$

- The income profile of the REIT is quite stable
- Hence, the key driver of Market Value for the REIT Portfolio lies in the Capitalisation Rate (“**Cap Rates**”)
- Whereby Cap Rates  , Market Value  , and vice versa

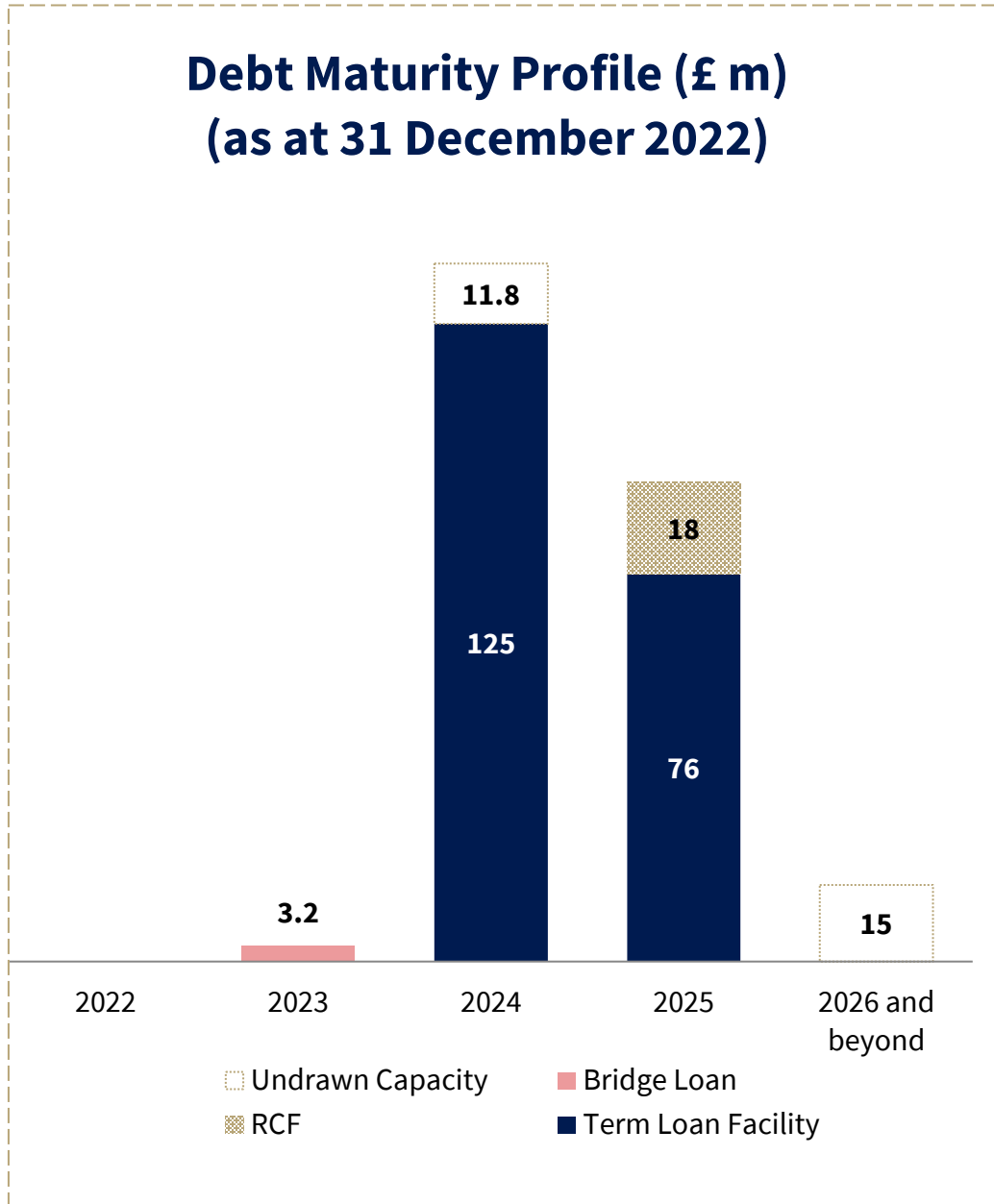
Drivers of Cap Rates

- The Cap Rates is largely driven by the following key factors:

Key Factors	Movements	Cap Rates
Interest Rate	Interest Rates 	
Supply/Demand Dynamics	Transaction Volumes 	
Macroeconomic Outlook	Overall Market Outlook 	

Prudent Capital Management

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



Resilient Financial Performance

FY 2022 Revenue

£37.1 million

FY 2022 Distributable Income

£23.1 million

FY 2022 DPU

4.81 pence

Healthy Credit Metrics

Borrowing Costs

4.6%

Weighted Average Debt Expiry

2.0 years

Interest Coverage Ratio

4.6 x

Interest Rate Exposure Fixed

69%

Balance Sheet Management

As at 31 December 2022



Gearing Ratio

45.8%



Interest Coverage

4.6 x



Borrowing costs

4.6%



Interest rate fixed

69%

Options for Balance Sheet Management



Capital Recycling

through capital receipts from potential disposals and dilapidation settlements

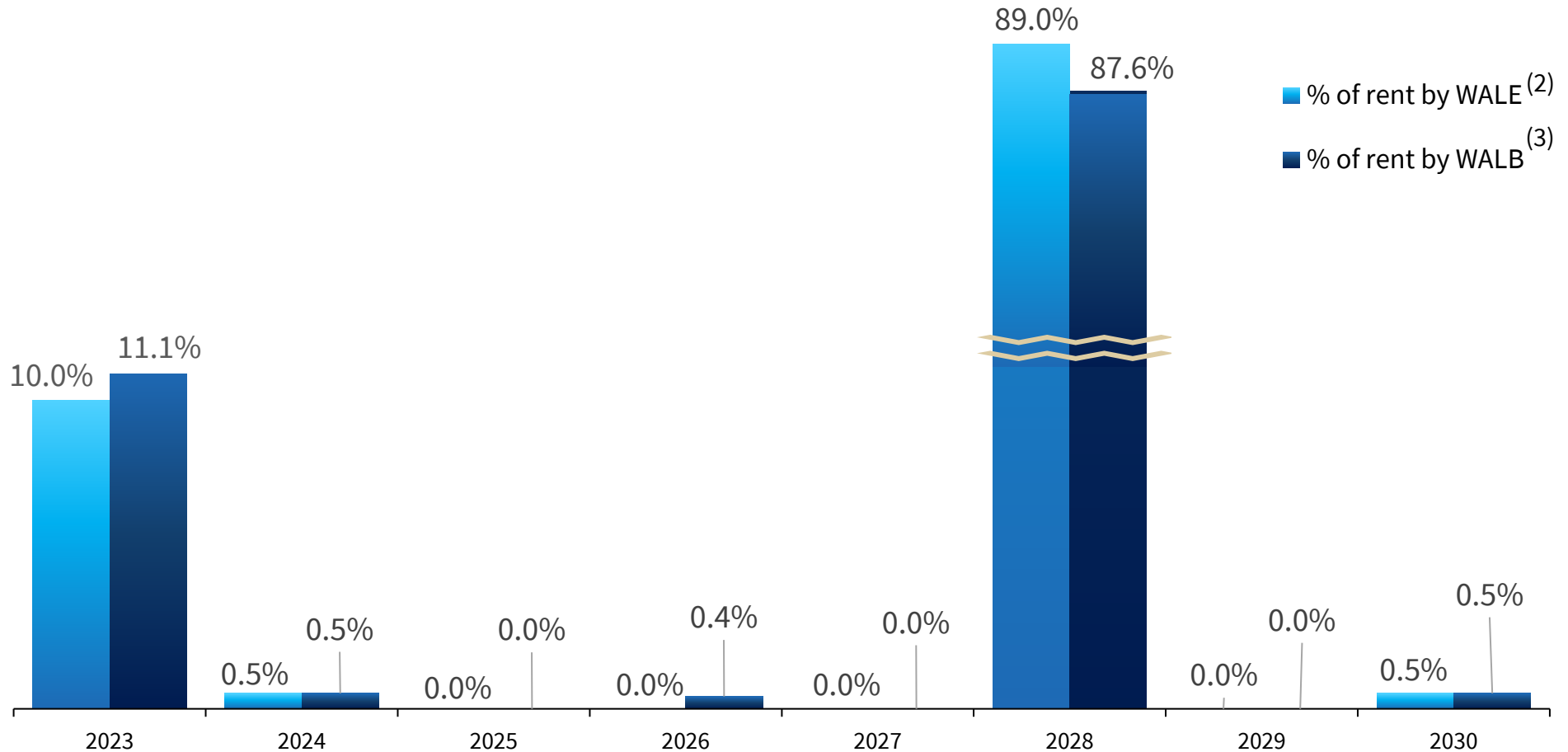


Fundraising

Through issuance of traditional equity or perpetual securities

Long Portfolio WALE at 4.8 years

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.

Strategies for Vacant & Vacating Assets

- Various potential alternative uses are available for the assets, depending on the real estate market conditions and economic dynamics of the submarkets
- Actions for 12 vacant and vacating assets: -



Negotiating for reasonable dilapidations settlement



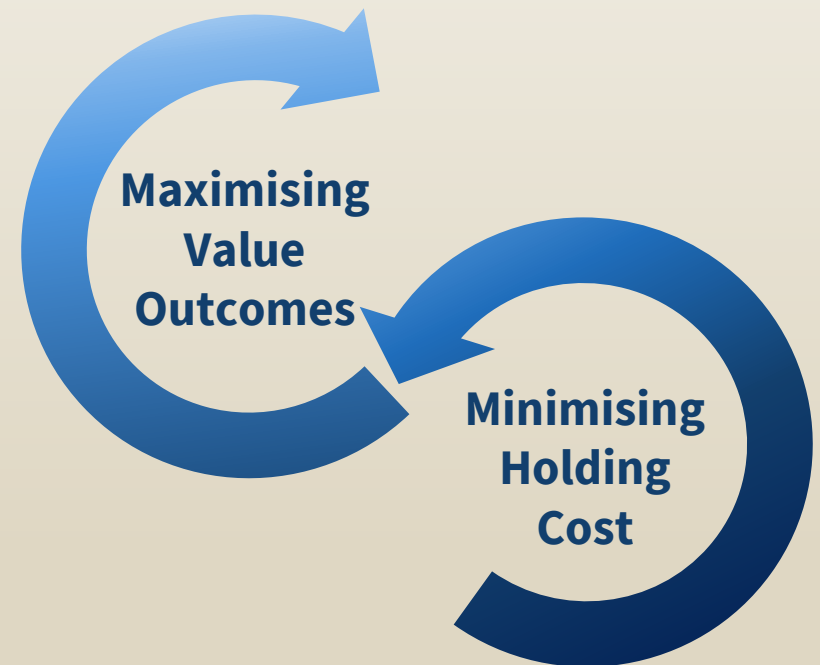
Potential re-letting as an office or other uses



Disposal with vacant possession or following re-letting



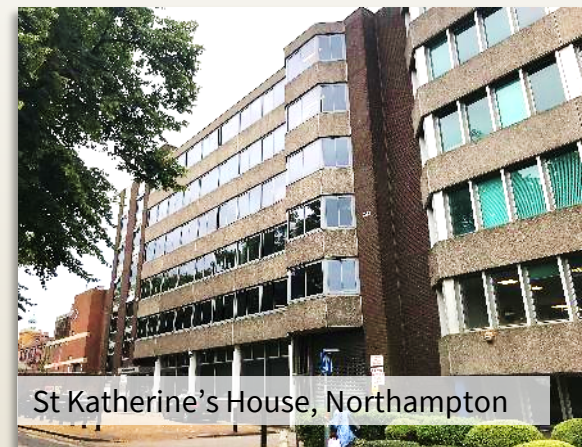
Seeking consent for alternative uses (conversion or redevelopment) where those offer the best outcomes



Successful Rental Uplift in April 2023

Summary of Rent Escalation in April 2023

- **134** out of 155 assets have rent escalation pegged to the UK Consumer Price Index (“**CPI**”)
- 11 out of the 134 assets have agreed rent reductions in exchange for the removal of their break options
- Based on respective lease agreements, the rent escalations are:
 - **21.07%** for **7** of the assets
 - **15.28%** for **127** of the assets
- Net annualised rent increase from these 136 assets will be **£4.2 million** or **13.1%**



Commitment to Sustainability

Asset enhancement works to boost energy efficiency of buildings

Environmental



Secured landmark
**Sustainability
collaboration**

with the UK's Department for Work
and Pensions & Ministry of Defence



Secured inaugural
£15.0 million

green revolving credit facility to fund
sustainability enhancement works



Upgrade in
**Energy Performance
Certificate**
ratings of assets

Social



FY 2022 average
training hours per
employee
71.0 hours



**Contributions, funds
raised & time
volunteered towards**

1. Healthcare for the elderly
2. Youth homelessness
3. Food for lower-income families

Governance



Maintained
zero incidents
of non-compliance/
corruption



Majority
**independent
board**



Section III

Strategy and Outlook



Tannery House, Alfreton

UK Market Outlook Remains Uncertain

Key Indicators for the UK Economy

Inflation

4%

Bank of England's ("BoE") expected annual CPI inflation towards end 2023

Interest Rate

4.25%

BoE raised interest rate to 4.25% in March 2023

Unemployment

5.25%

BoE's projected unemployment rate in the medium term

Economy



GDP projected to fall slightly throughout 2023 and Q1 2024

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

Generally weaker market sentiment in the real estate market

- Property values continues to be under pressure and is not expected to stabilise till the end of the year
- Office investment volumes are expected to be 20% down year-on-year in 2023⁽¹⁾

Note:

1. CBRE Research, UK Real Estate Market Outlook 2023.

Strategies Going Forward

- Manage vacant and vacating assets
- Secure dilapidation claims
- Recycle capital and reduce gearing
- Diversify lease expiry profile
- Improve energy performance certificate ratings
- Review growth potential from right of first refusal (“**ROFR**”) and/or third-party assets





Thank You

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