REITs

Singapore

October 19, 2023

Elite Commercial REIT (ELITE SP)

Postcard from UK

Not Rated

Share Price GBP 0.25

A visit to REIT's UK office assets

We recently visited 18 Elite Commercial assets (valued at GBP148.6m, 32% of AUM) in London, North West England and Scotland. Anchored by 155 office assets across the UK, ELITE offers exposure to mostly freehold, triple-net-leased, and government-occupied assets with a WALE of 4.5 years. The major tenant, DWP, occupies 146 buildings, including its public serving Jobcentre Plus and back offices. Based on FactSet consensus data, ELITE is trading at 0.48x FY23E P/BV (see pg.2).

Upward rental review effective from Apr'23

The original lease that was inked in 2018 for the IPO portfolio includes an inflation-linked rental adjustment in 2023, with an option for the tenant to break lease. In 1Q23, ELITE completed a rental review, increasing the gross rental income by GBP4.2m on a net annualized basis. In addition, break-lease options for 108 assets have lapsed since the review. The next round of lease renewals will be in 2028. Overall, there is no renegotiation of leases before ELITE's re-financing exercise in FY24. In Jun'23, ELITE's gearing was lowered to 46%, after the proceeds from divesting John Street and Openshaw Jobcentre were partially deployed to repayment. ELITE is in the process of divesting three other assets.

Exploring conversion of use of assets

Portfolio occupancy was 92.1% in Jun'23. Management is taking steps to address occupancy issues at 12 vacated assets. Out of the 12 assets, ELITE has received dilapidation settlements for four as of 1H23, while dilapidation settlements for another four are underway. Meanwhile, management is exploring potential change of use for some assets. In the IPO prospectus, ELITE referred to case studies of residential developments of higher market value converted from office assets, near ELITE's assets.

Risks: Covid, interest hikes weighed on share price

ELITE's shares have dropped 66% since listing due to uncertainties created by the impact of Covid-19 and rising interest rates. Upside risk stems from the abatement of these factors while high-for-longer interest rates, client concentration risk, slow recovery in physical occupancy are downside risks.

FYE Dec (GBP m)	FY20A	FY21A	FY22A
Revenue	21	35	37
Net property income	20	34	36
Core net profit	15	25	23
Core EPU (GBP)	0.07	(0.01)	(0.04)
Core EPU growth (%)	na	nm	nm
DPU (GBP)	0.04	0.05	0.05
DPU growth (%)	na	22.3	(11.4)
P/NTA (x)	1.0	1.1	0.9
DPU yield (%)	6.7	8.2	10.2
ROAE (%)	na	(1.9)	(6.8)
ROAA (%)	na	5.7	4.5
Debt/Assets (x)	0.31	0.42	0.46

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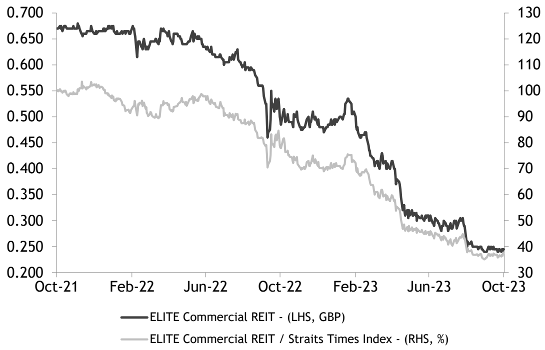
Company Description

Elite Commercial REIT invests in properties and commercial assets in the UK.

Statistics

52w high/low (GBP)	0.54/0.24
3m avg turnover (USDm)	0.1
Free float (%)	82.2
Issued shares (m)	483
Market capitalisation	GBP118.3M
	USD144M
Major shareholders:	
Covea Finance SAS	22.6%
Ho Lee Group Trust	7.6%
Sunway Bhd.	5.9%

Price Performance



	-1M	-3M	-12M
Absolute (%)	2	(16)	(51)
Relative to index (%)	5	(12)	(53)

Source: FactSet

Terms explained
WALE: Weighted Average Lease Expiry
DWP: Department for Work & Pensions
GRI: Gross Rental Income
JCP: Jobcentre Plus
COD: cost of debt
NPI: Net property income

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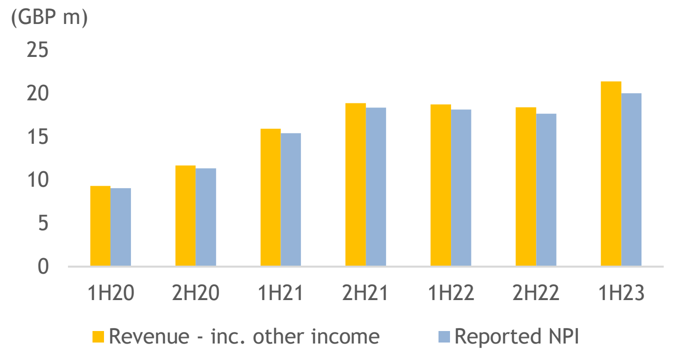
Value Proposition

- The only SGX-listed offshore REIT with pure UK exposure and adhering to the social infrastructure theme. AUM stands at GBP 466.2m.
- Main occupier UK's Department for Work and Pensions contributed 91.7% of 1H23 gross rental income (GRI).
- DWP-occupied assets are mostly public serving front offices that manages pension and unemployment related benefits for claimants.
- Relatively long WALE (4.5 years) and tenants are mostly AA-*rated* government entities.
- Upward rental review of 13.3% on net annualised basis secured in 1Q23. Rental escalation is CPI-linked with a cap of 5% and a floor of 1%.
- ELITE is trading at below FY23E book value at 0.48x based on FactSet consensus data.

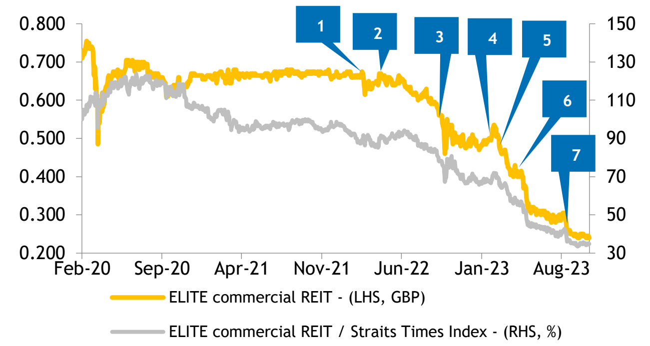
ELITE's historical revenue and NPI



Source: Company

Price Drivers

Historical share price trend



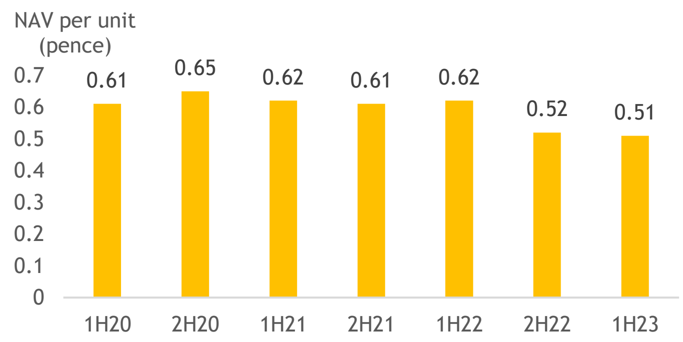
Source: FactSet

1. Feb-22 – DWP agreed to remove lease-break options at 108 properties it occupies (c.47.0% of GRI).
2. Apr-22 – ELITE received early notices from DWP that it will exercise lease-break options for seven assets it occupies, ahead of lease break option in March 2023.
3. Sep-22 - the FTSE Straits Times Reit Index fell c.14% in year to end-Sep, after a 75bps rate hike in Sep'22.
4. Jan-23 - iEdge S-Reit Index rose 7.1%, on expectations of peaking interest rates (Business Times, 31 Jan 2023).
5. Mar-2023 – S&P Bank Index hit lowest level since Oct'22, on news of Silicon Valley Bank woes. (Reuters,10 Mar 2023).
6. Apr-23 – ELITE announced rental escalation for 136 assets while posting a c.27% fall YoY in 1Q23 DPU.
7. Aug-23 – ELITE's CFO resigned to pursue other opportunities. ELITE declared a 90% dividend payout ratio for 2Q23.

Financial Metrics

- Rental income increased by GBP4.3m (13.3%) on net annualised basis, effective from 1Q23, following its upward rental review.
- Triple-net-lease arrangements help stabilise operating expenses.
- Technical listing of UK entity, Elite UK Commercial Holdings Limited (ECHL) on The International Stock Exchange ('TISE') with effect from Aug'21. ELITE enjoys reduced applicable headline tax rate from 19% to 15%.
- Aggregate leverage at 46%, with borrowing cost at 5.2% as of 1H23.

ELITE's NAV



Source: Company

Swing Factors

Upside

- Debt repayments to lower gearing.
- Divestments above book value / purchase price.
- Conversion of use of some office assets and subsequent corporate action, if any, would be favourable to unitholders.
- Smooth refinancing of loans due in 2024.
- Future acquisition from sponsor's pipeline is structured in a way favourable for unitholders.
- Bank of England reduces interest rates.
- Early confirmation of lease renewal for leases due to expire in 2028.

Downside

- Difficulty in refinancing its borrowings due in 2024.
- Higher for longer interest rates.
- Dilutive acquisitions/corporate activity.

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1.1 UK-focused S-REIT

Exposure to the UK and stable cashflow

ELITE is the only UK-focused REIT listed on the SGX. It has GBP466.2m of AUM (as of Dec22), anchored by 155 office buildings across the UK.

ELITE offers exposure to mostly freehold, triple-net-lease, government-leased assets in the UK. Shareholders can elect to receive dividends in GBP or SGD.

The inception of the portfolio was a result of the UK government's asset-light, sale-and-lease-back arrangements in the 1990s. ELITE Partners took over the portfolio in 2018 from the developer that had held the assets for 20 years, and Elite Commercial REIT was listed in Feb'20.

Therefore, ELITE signs the majority of its contracts directly with the UK's Secretary of State, backed by the AA-rated UK sovereign credit rating. Since listing, ELITE has been able to consistently collect rent in advance.

Under the triple-net-lease (a full repairing and insuring) agreement, tenants (UK government agencies) are responsible for all payments related to the repair of the external, internal and structural format of the property, while the landlord, can choose to allocate capex for asset enhancement.

1.2 Social-infrastructure status

The major tenant ("primary occupier") of ELITE's portfolio is the UK's largest public service department, the DWP. As of Jun'23, DWP occupied 146 of ELITE's 155 assets and contributes 91.7% of GRI. DWP provides welfare, pensions and child maintenance services to claimants.

Front-office function

Front office functions are usually categorized by face-to-face interactions with visitors. DWP services jobseekers and benefits claimants at Jobcentre Plus (JCP) offices, where work coaches offer advice to jobseekers in receipt of unemployment benefits and Universal Credit, and match them to suitable job vacancies.

ELITE currently has 124 assets (80% of 155 assets) being used as JCP. JCP assets are usually smaller size, low-rise buildings, located in town centres or in highly accessible locations. JCP accounts for c.63% of ELITE's leasable area.

Fig 1: JCP manages unemployment benefits and Universal Credit

Source: Company

Fig 2: A typical three-floor JCP serving its local community

Source: Maybank IBG Research

Fig 3: A JCP with reinforced area for claimants who may present threats to the centre staff

Source: Company

Fig 4: Typical working area for work coaches at a JCP

Source: Maybank IBG Research

While the offshore office market in general is grappling with the rise of hybrid work models, public-facing government offices are less prone to this shift.

Back-office function

A back office can serve numerous front offices in a region. Therefore, they are usually consolidated at one location with a larger leasable area. The major occupier, DWP, has a range of units carrying out back-office functions, for example, child maintenance, call centre and head office etc.

ELITE houses 20 DWP back offices (14% out of 155 assets), which take up c.29% of ELITE's leasable area. The Ministry of Defence (MOD) occupies one ELITE asset in Blackpool, where it carries out defence business services.

Fig 5: Layout at a DWP back office

Source: Maybank IBG Research

Fig 6: A DWP back office typically has more collaboration space

Source: Maybank IBG Research

Fig 7: A DWP back office providing various support services

Source: Maybank IBG Research

Fig 8: A DWP back office providing various support services

Source: Company

1.3 Unlocking value from "higher and better use"

Management has proposed converting properties to alternative uses upon receiving approval from the regulator as one of ELITE's portfolio-management strategies.

In 1Q23, ELITE conducted a lease review exercise, whereby 108 assets had lease-break options removed and 125 assets successfully negotiated higher rents. Meanwhile, 8 out of 117 DWP-occupied assets exercised lease-break options and were vacated in March 2023. In 1H23, along with four other vacated assets, management outlined four strategies to maximise value, including seeking redevelopment with the "highest and best use" for vacant assets. Nonetheless, portfolio occupancy stands at 92.1% as of 1H23.

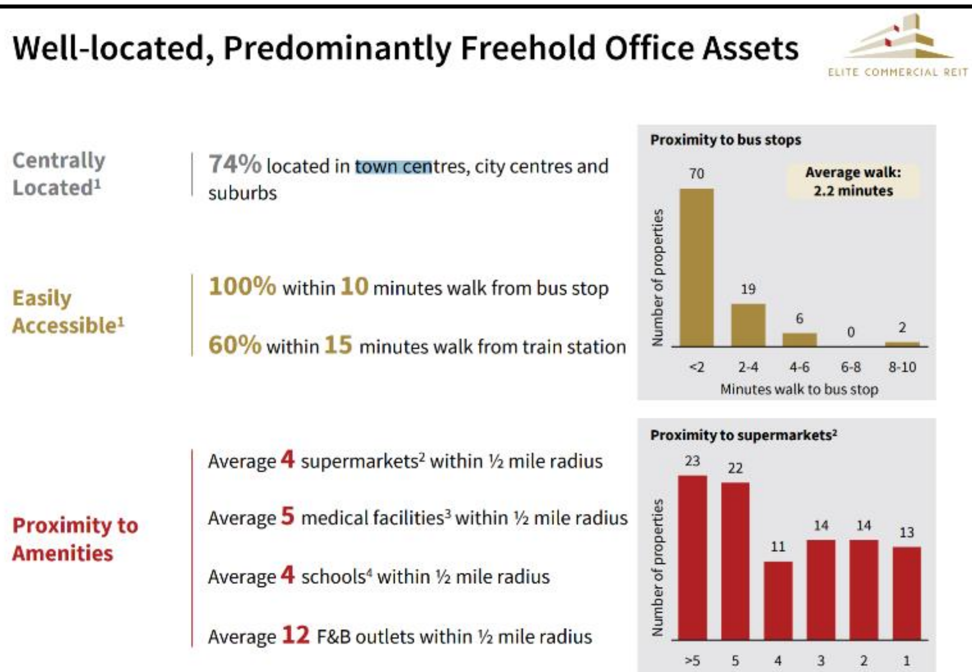
Fig 9: ELITE's action plans for vacant portfolio

Source: Company

The economic term "higher and better uses" is used to describe the use that would maximise the property interest's value, and is physically possible, legally permissible and financially feasible.

Repurposing assets

Fig 10: Location of ELITE's IPO portfolio (97 assets), retrieved from FY20 results presentation



Source: Company

Some of ELITE's assets are centrally located and close to amenities and public transport. In recent years, one notable trend is that existing office buildings at good locations, among other commercial real estates (CRE), were repurposed to housing or student accommodation. Such conversion carries the benefits of adding affordable housing stock, revitalising neighbourhoods, and saving on financial and environmental costs.

Fig 11: According to law firm CMS, 30% of UK commercial real estate are being repurposed

Source: Repurposing Real Estate The future of the world's towns and cities - published in 2022, CMS, law, tax, future

Fig 12: According to PERE, conversion of CRE to housing is a notable trend

In the UK, Pratap Singh, senior director at research and analytics group Acuity Knowledge Partners, states there is "a housing deficit of nearly 4.3 million homes." It is hardly surprising the UK is giving conversion a push through its new permitted development rights policy to plug the demand-supply gap.

> *"From an ESG perspective, converting an office building is often the more attractive alternative"*
>
> *Peter Windmeißer, KGAL*

According to one report published in 2022, nearly 30 percent of UK commercial real estate assets are earmarked to be repurposed. As Gott notes, "when the value of dated Mayfair offices is something like 20 percent of prime residential, then the pressure for conversion is clearly strong" as an alternative to disposal.

Source: Finding fresh purpose for office assets, published by Private Equity Real Estate (PERE) on 5 Jun 2023, https://www.perenews.com/finding-fresh-purpose-for-office-assets/

One asset mentioned in ELITE's prospectus with such potential is Palatine House and Duchy House at Preston. Located in town centre, the Preston asset consists of an island site complex of four buildings, two of which belong to ELITE (i.e. Palatine House and Duchy House) and the other two belong to third parties. Pre IPO, the latter two received planning permission to be redeveloped into a residential-led mixed use development, with 130 apartments proposed. As of Sep23, during our site visit, the conversion has already taken place. The two converted Preston buildings are used as rental housing with first floor retail/F&B units.

Fig 13: Housing development opposite to High Rd. Ilford

Source: Maybank IBG Research

Fig 14: A mixed-use project converted from the Preston blocks

Source: Maybank IBG Research

Another asset with conversion potential mentioned in the prospectus is Peel Park in Blackpool. The site consists of approximately 75.0% (11.7 ha) of undeveloped grassland, which the manager believes provides opportunities to carve out a portion of the land for alternative uses, such as residential, student accommodation and data centre.

During our site visit, we noticed that several of ELITE's assets are surrounded by new residential projects that were developed from such conversion. These buildings of similar layout as ELITE's assets have been converted into rental housing and are commanding higher rates. We will closely monitor this as management explores any value-unlocking conversion opportunities.

Fig 15: Peel Park consists of two buildings used as a back office

Source: Maybank IBG Research

Fig 16: Undeveloped grassland of approx. 11.7 hectares

Source: Maybank IBG Research

Fig 17: Peel Park asset aerial view from ELITE's IPO prospectus

Source: Company

1.4 Upward rental review in 1H23

ELITE negotiated for higher rent for 136 portfolio assets in 1Q23, marking a major milestone since its listing. Post-review, ELITE will see its gross rental income increase by GBP4.2m on a net annualised basis. It translates into GBP0.87pence/sh.

Meanwhile, 108 assets in its portfolio removed break-lease options, which adds to the stability of the lease structure. Portfolio WALE stands at 4.5 years as of 1Q23, with the next lease renegotiation in 2028. Management has already entered into talks with the major occupier.

Fig 18: Rental review in Apr'23 increases ELITE's rental income

Rent Escalation Basis	Number of assets	Rent p.a. as at 31 March 2023 (£'000)	Revised Rent p.a. effective as at 1 April 2023 (£'000)
Rent escalation of 21.07%	7	2,640	3,196
Rent escalation of 15.28%	116	27,083	31,222
Rent escalation of 15.28%, subject to rent reduction	11	1,976	1,456[1]
Rent escalation based on upward only open market rent review	2	132	132[2]
Total[3]	136	31,832	36,006

Source: Company

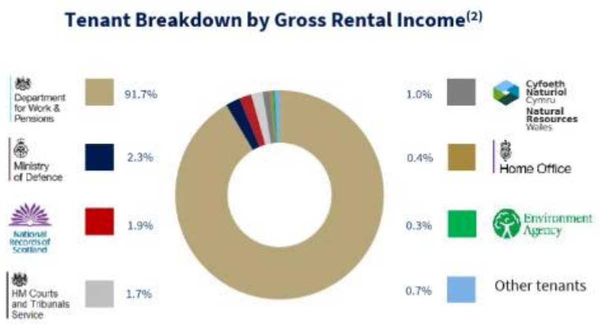
2. Corporate information

2.1 Elite Commercial REIT

UK-focused S-REIT

Elite Commercial REIT was listed on the SGX in February 2020, with an offer price of GBP0.68/sh for 192.5m shares. The original portfolio consisted of 97 assets valued at GBP296m. Since listing, ELITE made its maiden acquisition of 58 assets (valued at GBP212.5m) in 1H21 from its sponsor and conducted its first rental review (+13.1% net annualised rent escalation) for 136 assets in 1H23. To date, ELITE has a total of 155 assets across the UK, offering a net leasable area of 3.9m sq ft.

Fig 19: Government agencies are ELITE's major tenants (GRI as of Jun'23)

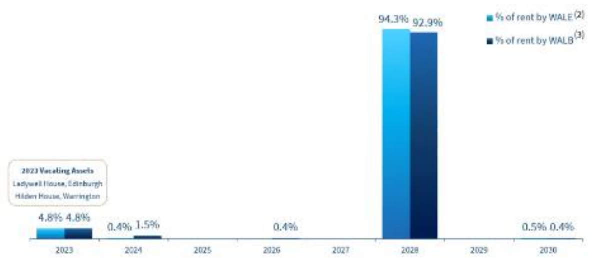


Source: Company

Apart from the major occupier, DWP, other government tenants and private tenants account for 7.6% and 0.7% of ELITE's GRI, respectively.

Portfolio WALE stands at 4.5 years as of 1Q23, with the next lease renegotiation in 2028. Percentage of rent by WALE due for expiry are 0.4%/0.4% in 2024/26E.

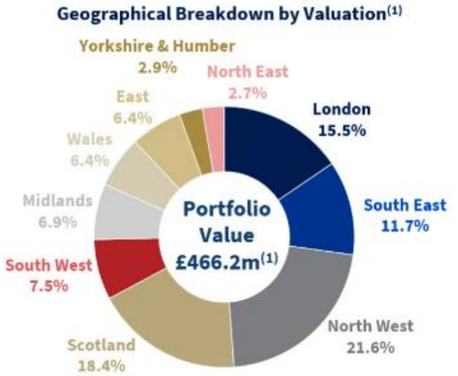
Fig 20: Lease expiry profile as of Jun'23



Source: Company

ELITE undertook Sustainability Collaboration with its major tenants DWP and the MOD in Dec'22, where it would progressively make sustainability contributions over FY22-FY24 at DWP and MOD-occupied assets.

Fig 21: ELITE has a diversified geographical footprint across the UK (valuation as of Dec'22)



Source: Company

ELITE's wholly owned subsidiary, Elite UK Commercial Holdings, attained TISE listing status in Aug'21, which effectively qualifies ELITE for a corporation tax exemption for its rental income and gains.

Sponsor team

Elite is sponsored by three experienced companies with extensive experience in real estate.

Fig 22: ELITE's sponsor team

Source: Company

Elite Partners Group, through its investment holding firm EPH, provides a team with expertise in private equity and REITs. It has a pipeline of UK assets underpinned by government rental income for which ELITE has right of first refusal for future acquisition.

Ho Lee Group (not listed) has extensive experience in general building construction to industrial and residential development. As one of the original sponsors of Viva Industrial Trust now called ESR-LOGOS (EREIT SP, CP SGD0.27, BUY, TP SGD0.38), HLG has a proven track record of successful partnership with key managements of Elite Partners Group.

Sunway RE Capital Pte. Ltd. is a wholly owned subsidiary of Sunway Berhad. The Malaysian conglomerate is one of the largest in the country, with businesses in property development, investment and listed REIT. Its business lines cover construction, healthcare, hospitality, leisure, quarry, building materials, and trading and manufacturing.

Key management

Joshua Liaw has close to two decades of experience in real estate finance and fund management across the banking and real estate investment trust management sectors. He was appointed the Chief Executive Officer of the Manager in Jun'23. Prior to ELITE, Mr Liaw was the CFO of Lendlease REIT (JYEU SP, CP 0.505, not rated). He was part of the original team that oversaw LREIT's IPO in 2019 and the acquisition of Jem. Before joining the fund management business, Mr Liaw held various roles at Standard Chartered Bank and Citibank.

Jonathan Edmunds is the Chief Investment Officer of the Manager. Mr Edmunds has about 20 years of experience in the real estate industry across various geographies, focusing on real estate investment, management, acquisitions/structuring, and fund raising/reporting. Before joining the fund management business, Mr Edmunds held positions at Lazard and Deutsche Bank.

2.2 Department for Workfare and Pensions (DWP)

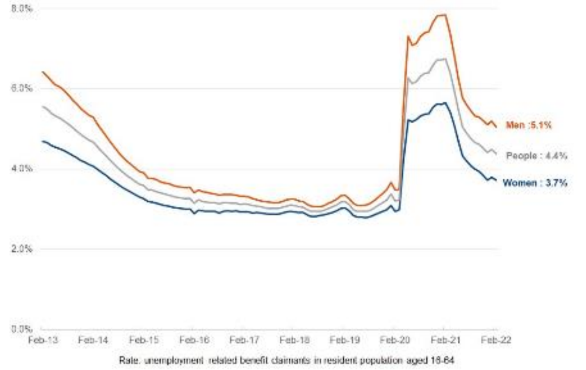
UK government infrastructure

DWP is the largest public service department in the UK, responsible for welfare, pensions, and child maintenance policy. It administers the State Pension and a range of working age, disability and ill health benefits to around 20m claimants and customers.

DWP provides services in various ways, including through JCP, the Pension Service, the Child Maintenance Service and partner organisations. The JCP offices in the UK provide resource for individuals seeking a job. It offers job-search assistance, benefits advice, training opportunities, and allowance claiming.

Given the nature of the services, JCP offices are easily accessible for each local area, usually located near a train station / town centres. JCP currently has a network of over 600 job centres across England, Scotland and Wales. This number has fallen from the peak during the pandemic, as the number of unemployment claims normalized after the re-opening.

Fig 23: The number of unemployment-related benefit claimants normalizes



Source: DWP

Fig 24: Claimant unemployment rate trends down across UK

Region	Claimant unemployment rate 2021 (%)	Claimant unemployment rate 2022 (%)
North East	7.2	4.8
North West	7.2	4.8
Yorkshire and The Humber	6.9	4.6
East Midlands	5.8	3.8
West Midlands	7.7	5.4
East of England	5.9	3.7
London	9.1	6.0
South East	5.7	3.5
South West	5.2	3.2
Wales	6.1	4.0
Scotland	6.2	3.8
Northern Ireland	5.4	3.7

Source: DWP

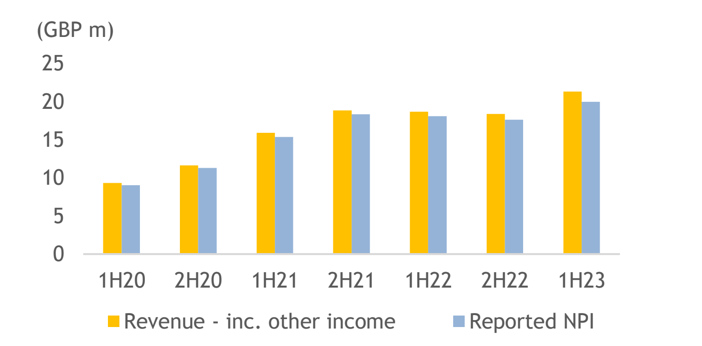
3. Financial analysis

3.1 Earnings

1H23 revenue grew 3.4%/4% YoY/HoH to GBP19.1m, as effects of rental escalation kicked in since Apr'23.

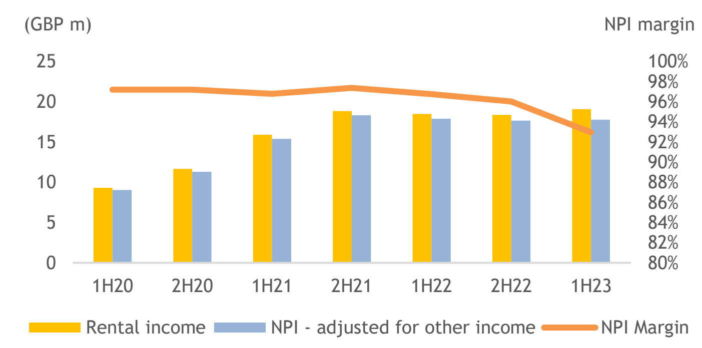
Other property income of GBP2.24m mainly consisted of dilapidation settlements of GBP1.9m and lease-surrender premium of GBP0.4m.

Fig 25: Elite's revenue/reported NPI since listing in Feb'20



Source: Company

Fig 26: Elite's rental income/ adjusted NPI since listing



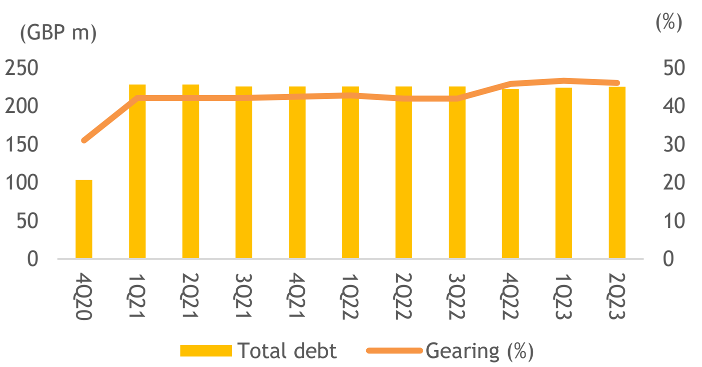
Source: Company

3.2 Balance-sheet and capital structure analysis

ELITE's loans and borrowings are 100% denominated in GBP. While 62%/50% of the overall loans/FY24-due debts are hedged, the floating portion led to the rise in COD. As the Bank of England raised interest rates from 5.0% to 5.25% in Aug'23, ELITE's all-in average COD rose to 5.20% as of 1H23, a 30bps jump from 1Q23.

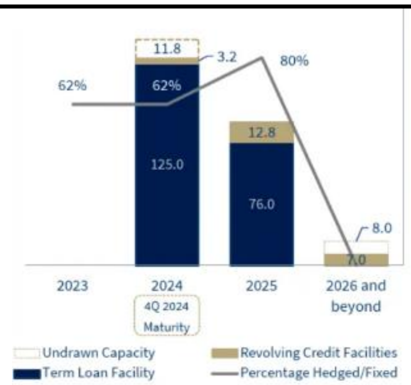
As of Jun'23, ELITE's gearing was 46.0%, a slight dip of 60bps from 46.6% in Mar'23.

Fig 27: ELITE's debt and gearing



Source: Maybank IBG Research

Fig 28: ELITE's debt-maturity profile



Source: Company

Refinancing in FY24

ELITE has an outstanding debt of GBP224m, of which c.57% is up for renewal in 4Q24. Management is looking to diversify its funding sources and expand banking relationships. ELITE didn't rule out an equity fund raising.

Recent divestments to lower gearing

Management estimates every GBP5m in debt repayment will lower gearing by 60bps.

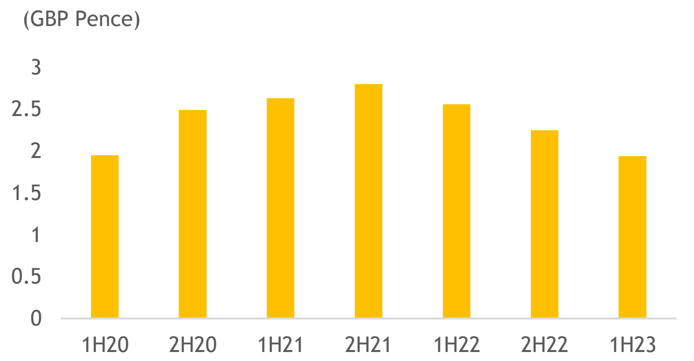
ELITE has recently executed sales of two assets, Openshaw Jobcentre, Manchester and John Street, Sunderland, for an aggregate consideration of GBP1.1m (c.14.4% premium to the book). The sale proceeds were partly channelled into repayment of loans, which contributed to a 60-bps reduction in gearing in 2Q23.

3.3 Dividend

Dividend trend

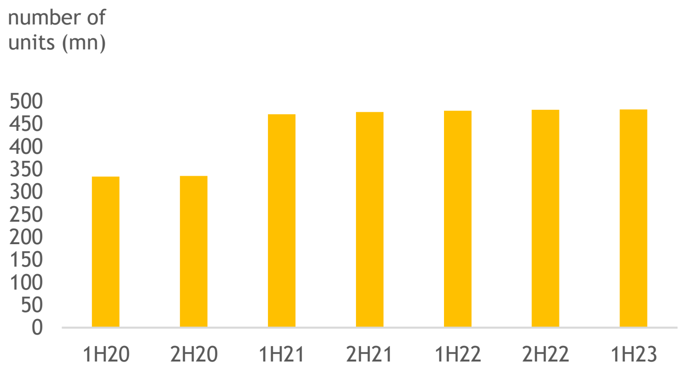
ELITE's dividend has been trending down, mainly due to a larger shareholder base (by c.41%) in 1H21, increased interest expenses and lower occupancy since 2H22. Rental contributions from the acquisition of 58 assets in 1H22 and upward rental renewals in 1H23 partially offset the negative impact on dividends.

Fig 29: ELITE's dividends since listing



Source: Company

Fig 30: Number of units on issue at the end of period



Source: Company

Distribution reinvestment plan

ELITE has carried out distribution reinvestment plan since Jun'21.

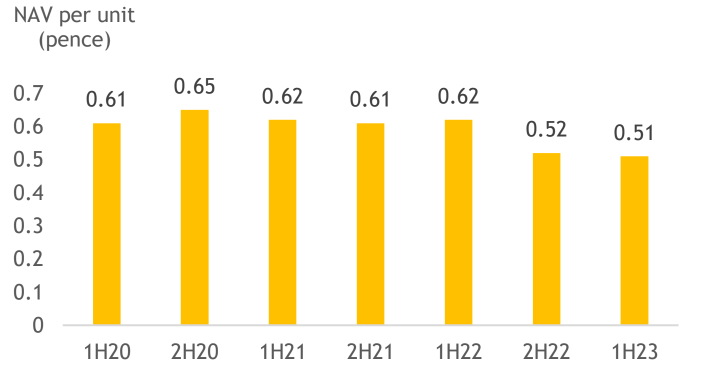
Offshore S-REITs

Fig 31: Peer comparison (as of 18 Oct)

Company	BB Ticker	FYE	Price	MC	ADTV	BVPS	P/BV	Dividend yield (%)		Net gearing
Offshore REITs		(Month)	(SGD)	(SGD b)	(SGD m)	(SGD)	(x)	22	23E	(%)
CapitaLand China Trust	CLCT SP EQUITY	12	0.86	1.4	2.4	1.33	0.64	10.7	11.4	37
Ascendas India Trust (AIT)	CLINT SP EQUITY	3	1.02	1.4	2.9	1.08	0.94	8.5	9.7	39
Cromwell REIT (EUR)	CERT SP EQUITY	12	1.28	1.0	0.4	5.44	0.24	n.a.	n.a.	39
Digital Core REIT	DCREIT SP EQUITY	12	0.57	0.9	1.9	n.a.	n.a.	7.4	8.3	31
Sasseur REIT	SASSR SP EQUITY	12	0.65	0.8	0.5	0.83	0.78	11.3	11.8	28
IREIT Global	IREIT SP EQUITY	12	0.35	0.5	0.3	0.76	0.46	12.9	12.6	32
Daiwa House Log Trust	DHLT SP EQUITY	12	0.52	0.4	0.4	n.a.	n.a.	9.9	9.6	43
United Hampshire US REIT	UHU SP EQUITY	12	0.43	0.3	0.2	0.75	0.58	14.9	14.6	43
Keppel_KBS US REIT (in USD)	KORE SP EQUITY	12	0.20	0.3	0.5	0.81	0.25	31.2	32.7	38
BHG Retail REIT	BHGREIT SP EQUITY	12	0.48	0.2	0.0	0.74	0.64	6.9	6.5	30
Elite Commercial REIT	ELITE SP EQUITY	12	0.25	0.2	0.1	0.47	0.52	21.0	20.9	46
Prime US REIT (in USD)	PRIME SP EQUITY	12	0.11	0.2	0.5	0.75	0.15	62.7	65.0	42
Lippo Malls Indonesia Retail Trust	LMRT SP EQUITY	12	0.02	0.1	0.0	0.08	0.24	n.a.	n.a.	44
Manulife REIT (in USD)	MUST SP EQUITY	12	0.05	0.1	0.9	0.40	0.13	105.1	106.9	49
Dasin Retail Trust	DASIN SP EQUITY	12	0.05	0.0	0.0	0.86	0.06	90.2	n.a.	46

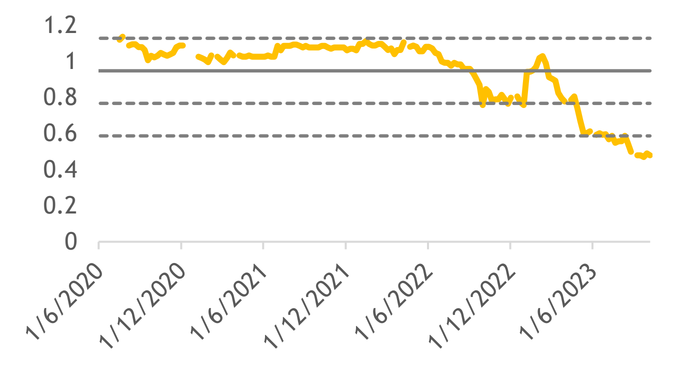
Source: Company Bloomberg

Fig 32: ELITE's NAV per unit



Source: Company

Fig 33: *ELITE trading at 0.48x FY23E P/B, below 2S.D.



**Based on consensus*

Source: Bloomberg

Fig 34: ELITE assets we visited recently

		Net Internal Area (sq ft)	Occupancy Rate	Valuation as at 31 Dec 2022 (GBP)	Purchase price (GBP)	% of AUM as of Dec'22	Annualised Gross Rental Income as at 31 December 2022 (GBP)	Annualised Gross Rental Income as at 31 December 2021 (GBP)	% of GRI as of Dec'22
1	Collyer Court, Peckham, London	16,786	100%	7,800,000	8,350,000	1.7	361,209	361,209	0.99
2	Peckham High Street, Peckham, London	17,470	100%	9,000,000	9,625,000	1.9	416,388	416,388	1.14
3	Medina Road, Finsbury Park, London	15,710	100%	4,930,000	6,400,000	1.1	276,963	276,963	0.76
4	Crown House, Romford, London	35,119	100%	10,200,000	12,235,000	2.2	529,376	529,376	1.45
5	High Road, Ilford, London	18,741	100%	6,175,000	5,791,915	1.3	356,394	356,394	0.98
6	Oates House, Stratford, London	14,424	100%	7,950,000	8,640,000	1.7	351,825	351,825	0.97
7	Great Western House, Birkenhead, North West	80,141	100%	8,685,000	9,120,000	1.9	650,000	650,000	1.78
8	Peel Park, Blackpool, North West	156,542	100%	25,000,000	28,210,000	5.4	1,695,000	1,695,000	4.65
9	Tomlinson House, Blackpool, North West	93,502	100%	10,625,000	10,543,733	2.3	788,342	788,342	2.16
10	Duchy House, Preston, North West	43,217	100%	3,200,000	4,185,000	0.7	244,825	244,825	0.67
11	Palatine House, Preston, North West	36,522	100%	2,745,000	3,540,000	0.6	207,079	207,079	0.57
12	Whitburn Road, Bathgate, Scotland	31,484	100%	1,925,000	2,756,951	0.4	266,327	266,327	0.73
13	Parklands, Falkirk, Scotland	81,350	100%	9,300,000	7,413,651	2.0	683,789	683,789	1.88
14	Heron House, Falkirk, Scotland	25,454	100%	3,050,000	3,967,462	0.7	262,181	322,490	0.72
15	Atlas Road, Glasgow, Scotland	49,788	100%	2,980,000	4,488,734	0.6	397,111	397,111	1.09
16	Glasgow Benefits Centre, Glasgow, Scotland	137,287	100%	29,950,000	31,765,000	6.4	1,940,350	1,940,350	5.33
17	Pollokshaws Road, Glasgow, Scotland	15,812	100%	1,505,000	1,957,667	0.3	154,722	154,722	0.42
18	Coustonholm Road, Glasgow, Scotland	36,124	100%	3,620,000	3,625,739	0.8	303,446	303,446	0.83

Source: Maybank IBG Research

4. Risks

4.1 Higher-for-longer interest rates

ELITE's gearing rose to 45.8% in 4Q22 and hovered at this level for two quarters (1Q23: 46.6%; 2Q23: 46.0%). While 62%/50% of the overall loans/FY24-due debts are hedged, the floating portion led to the rise in COD.

While management is taking steps to lower its gearing, investors should remain watchful as a 'higher for longer' interest rate scenario may take hold amid asset value repricing and structural changes in the office market.

4.2 Lease renewal in 2028

The next round of lease renewal / renegotiation will take place in 2028. While ELITE is working closely with its major occupier DWP on tenant retention as well as sustainability collaboration, investors should be mindful of high concentration by a single tenant (DWP: 91.7% GRI).

In the event of DWP vacating properties it occupies, the next step for ELITE will be finding a replacement tenant or changing the building to an alternative use, to avoid loss of income.

4.3 Structural challenges from remoting working

Remote working styles are deepening, especially in regions outside of APAC. While front office functions such as JCP are not easily replaced by online settings, certain back office functions may be performed under remote working arrangements. Lower physical occupancy may impact government's leasing decisions.

4.4 Upside risks

There are potential upside risks to overturn market sentiments. These include the possibility of positive shifts in market sentiment driven by strong economic data, stronger fiscal support to DWP, or favourable earnings reports in the coming quarters. Central bank actions such as unexpected interest rates cuts or government mandating return-to-office will also be positive factors.

FYE 31 Dec	FY20A	FY21A	FY22A
Key Metrics			
Price/DPU(x)	14.9	12.2	9.8
P/BV (x)	1.0	1.1	0.9
P/NTA (x)	1.0	1.1	0.9
DPU yield (%)	6.7	8.2	10.2
FCF yield (%)	nm	0.5	nm
INCOME STATEMENT (GBP m)			
Revenue	21.0	34.7	37.1
Net property income	**20.4**	**33.7**	**35.7**
Management and trustee fees	(4.8)	(4.5)	(3.8)
Net financing costs	(2.4)	(4.3)	(7.4)
Associates & JV	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0
Other pretax income/expenses	15.9	(28.2)	(41.4)
Pretax profit	**29.1**	**(3.4)**	**(16.8)**
Income tax	(5.7)	(1.4)	(1.5)
Minorities	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0
Total return avail to unitholders	**23.4**	**(4.7)**	**(18.3)**
Preferred Dividends	0.0	0.0	0.0
Core net profit	14.8	24.5	23.1
BALANCE SHEET (GBP m)			
Cash & Short Term Investments	20.2	19.5	7.4
Accounts receivable	0.8	11.8	11.5
Property, Plant & Equip (net)	0.0	0.0	0.0
Inverstment properties	311.9	501.3	460.0
Intangible assets	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0
Other assets	0.0	0.7	7.9
Total assets	**332.9**	**533.4**	**486.8**
ST interest bearing debt	0.0	6.6	7.2
Accounts payable	2.5	5.6	4.8
LT interest bearing debt	101.9	218.5	214.3
Other liabilities	11.3	13.6	12.6
Total Liabilities	**115.7**	**244.4**	**238.9**
Shareholders Equity	217.2	289.0	247.9
Minority Interest	0.0	0.0	0.0
Total shareholder equity	**217.2**	**289.0**	**247.9**
Total liabilities and equity	**332.9**	**533.4**	**486.8**
CASH FLOW (GBP m)			
Cash flow from operations	**16.5**	**22.7**	**27.9**
Capex	0.0	0.0	(7.4)
Acquisitions & investments	0.0	(9.4)	0.0
Disposal of FA & investments	0.0	0.0	0.0
Dividend income from associates	0.0	0.0	0.0
Other investing cash flow	0.0	0.0	0.0
CF from investing activities	**0.0**	**(9.4)**	**(7.4)**
Dividends paid	(16.3)	(17.6)	(22.8)
Interest expense	(3.4)	(3.6)	(5.3)
Change in debt	(105.6)	7.2	(4.4)
Equity raised / (purchased)	104.6	0.0	0.0
Other financial activities	5.1	(0.1)	(0.7)
CF from financing activities	**(15.6)**	**(14.1)**	**(33.2)**
Effect of exchange rate changes	**0.0**	**0.0**	**0.0**
Net cash flow	**0.8**	**(0.8)**	**(12.7)**

FYE 31 Dec	FY20A	FY21A	FY22A
Key Ratios			
Growth ratios (%)			
Revenue growth	na	65.7	6.7
Net property income growth	na	65.5	6.0
Core net profit growth	na	65.3	(5.8)
Distributable income growth	na	na	na
Profitability ratios (%)			
Net property income margin	97.2	97.1	96.4
Core net profit margin	70.8	70.6	62.3
Payout ratio	63.3	nm	nm
DuPont analysis			
Total return margin (%)	111.4	nm	nm
Gross revenue/Assets (x)	0.1	0.1	0.1
Assets/Equity (x)	1.5	1.8	2.0
ROAE (%)	na	(1.9)	(6.8)
ROAA (%)	na	5.7	4.5
Leverage & Expense Analysis			
Asset/Liability (x)	2.9	2.2	2.0
Net gearing (%) (excl. perps)	37.6	71.1	86.3
Net interest cover (x)	6.6	6.8	4.2
Debt/EBITDA (x)	nm	nm	nm
Capex/revenue (%)	0.0	0.0	20.1
Net debt/ (net cash)	81.8	205.6	214.1
Debt/Assets (x)	0.31	0.42	0.46

Source: Company

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