

ELITE UK REIT (ELITE SP)

Sustainable dividend yield backed by UK government

Defensive 9% yield; Initiate with BUY

Elite UK REIT (ELITE) is a UK-focused commercial REIT with c.99% of rental income generated from entities associated with the UK government. We forecast distributable income to remain stable over FY26-28E, supported by its sustainable c.9% dividend yield, proactive lease renewals ahead of the 2028 expiry cycle and ongoing capital recycling initiatives. We initiate coverage with a BUY and TP of GBP0.44, implying FY26E dividend yield of c.9%. Risks to our call include higher UK interest rates, forex risk related to the UK pound and delays in asset divestments and weaker-than-expected leasing demand for non-government tenants.

De-risked after substantial lease renewal

ELITE's investment case is anchored on improved income visibility following the ongoing re-gear of its largest tenant, the Department for Work and Pensions (DWP). About 70% of leases have been secured, extending WALE to 6.9 years and significantly de-risking the previously concentrated 2028 expiry profile. With retention rates guided at 85-95%, occupancy risk remains manageable.

Unlocking value through asset recycling

ELITE has a strong track record of divestments above book value and is currently progressing the divestment of Peel Park (c.10% of AUM; GBP44m valuation). With planning approval secured for alternative use as a data centre, the asset has seen significant value uplift (+82% since Dec-23), and management is targeting a disposal at least at book value. This allows the REIT to monetise a mature asset and redeploy proceeds into more accretive opportunities such as redevelopment of PBSA.

Attractive yield and valuation

ELITE offers an attractive yield of c.9% at current share price level, supported by an increased payout ratio of ~95% and a stable funding profile. Cost of debt remains contained at 4.7%, with over 90% of borrowings on fixed rates. This is complemented by an undemanding valuation at c.0.86x P/NAV which we deem as attractive.

FYE Dec (GBP m)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	36	37	37	37	38
Net property income	36	35	36	36	36
Core net profit	26	19	19	20	20
Core EPU (p)	3.8	3.0	3.0	3.0	3.1
Core EPU growth (%)	(46.4)	(21.1)	(1.4)	1.9	2.7
DPU (p)	2.9	3.0	3.0	3.1	3.2
DPU growth (%)	(6.5)	5.6	0.5	1.9	2.7
P/NTA (x)	0.8	0.9	0.9	0.8	0.8
DPU yield (%)	9.7	8.4	9.0	9.1	9.4
ROAE (%)	8.7	5.7	6.9	6.9	6.9
ROAA (%)	5.9	4.4	4.4	4.4	4.5
Debt/Assets (x)	0.42	0.44	0.44	0.44	0.41
Consensus DPU	-	-	3.1	3.1	3.2
MIBG vs. Consensus (%)	-	-	(1.1)	(0.2)	(0.3)

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BUY

Share Price GBP 0.34
12m Price Target GBP 0.44 (+38%)

Company Description

ELITE invests primarily in UK real estate assets with a government entity as its dominant tenant.

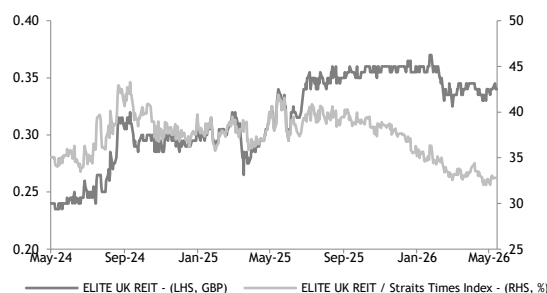
Statistics

52w high/low (GBP)	0.37/0.34
3m avg turnover (USDm)	0.3
Free float (%)	78.7
Issued shares (m)	611
Market capitalisation	GBP207.9M USD278M

Major shareholders:

Covea Finance SAS	21.7%
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Price Performance



	-1M	-3M	-12M
Absolute (%)	1	(3)	11
Relative to index (%)	3	6	35

Source: Factset

Abbreviations explained

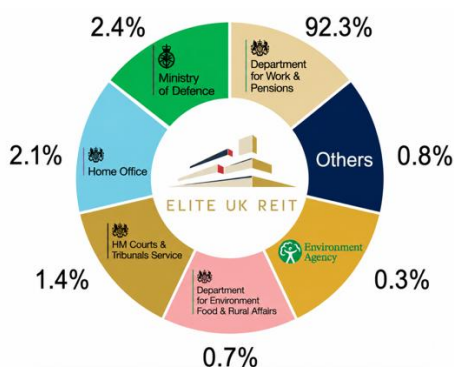
DWP - Department for Work and Pensions
WALE - Weighted average lease expiry

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Tear Sheet Insert

Value Proposition

- 99.2% of gross rental income is derived from the UK government, with the DWP contributing 92.3%, providing strong cashflow visibility and credit quality.
- WALE has been extended to 7.2 years (from 2.4 years pre-gear), while the 2028 expiry cliff has been reduced from 95.7% to 32.0% of GRI, enhancing income.
- CPI-linked rent reviews of 1-5% annually support organic rental growth with limited reliance on market leasing conditions.
- Opportunities from Peel Park’s data centre potential and selective divestments support NAV realisation and portfolio optimisation.
- FY25 distributable income rose 7.4% YoY to GBP18.3m, with DPU up 5.6% YoY to 3.03p, supported by a lower cost of debt.

Tenancy mix as of Mar-26

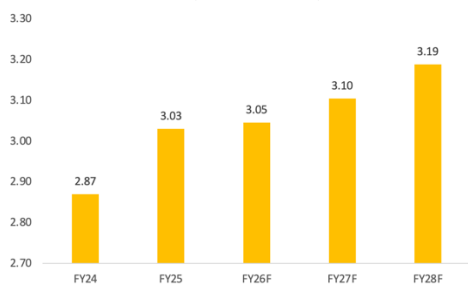


Source: Company

Financial Metrics

- The long WALE of 6.9 years post lease re-gears materially enhances forward income certainty, making DPU sustainability the most relevant metrics, rather than headline revenue growth.
- With net gearing reduced to 37.4%, >90% fixed-rate debt, and no refinancing until 2027. This aligns with a market environment where funding costs and credit conditions remain a key swing factor for REIT valuations.
- The triple-net lease structure shifts operating cost burden to tenants, minimising recurring capex risk. As such, capex is discretionary and tied to value-accretive repositioning (e.g., PBSA, data centre) rather than maintenance, implying cash flow is largely distributable with episodic upside from asset recycling.

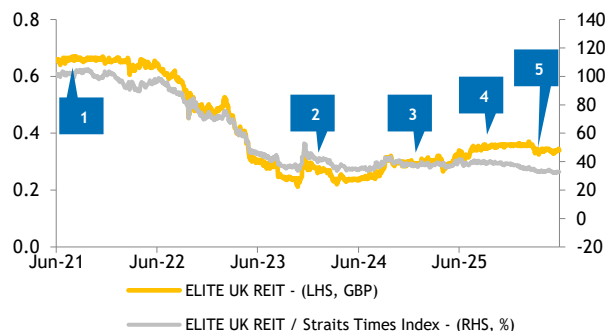
DPU trend from FY24-28E (GBP pence)



Source: Company

Price Drivers

Historical share price trend



Source: Company, Maybank IBG Research

- 6 Feb 2020: Listed on SGX.
- 7 Nov 2023: Announced capital recycling of >GBP11.4m, with divestments at an aggregate 12.2% premium to valuation.
- 10 Feb 2025: FY24 DPU rose 5.0% YoY to 2.87p, supported by interest and tax savings, signalling earnings stabilisation.
- 31 Jul 2025: 1H25 DPU rose 10.0% YoY to 1.54p; Peel Park also secured 120MVA power capacity.
- 5-12 Feb 2026: Lease overhang materially reduced after c.70% of DWP income was re-gear.

Swing Factors

Upside

- Additional lease renewals with DWP at longer tenures could further extend WALE and improve income visibility, supporting valuation re-rating.
- Execution of Peel Park (data centre conversion) or asset divestments at favourable valuations could unlock NAV and enhance DPU via redeployment or debt reduction.
- Easing interest rates and refinancing at lower spreads could improve distributable income, given financing costs are a key earnings lever.

Downside

- Easing interest rates and refinancing at lower spreads could improve distributable income, given financing costs are a key earnings lever.
- Rising cap rates or weak transaction markets could drive further portfolio devaluation, impacting NAV and gearing headroom.
- Delays or weaker-than-expected pricing in divestments, or capex misalignment with tenant needs, could dilute returns and slow DPU growth.

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Risk Rating & Score ¹	na
Score Momentum ²	na
Last Updated	na
Controversy Score ³	na

Business Model & Industry Issues

- Elite UK REIT is a UK-focused commercial REIT with a largely UK Government-backed tenant base, delivering defensive rental cashflows, supported by active lease management and capital recycling/value-unlock initiatives.
- Strengthened income by anchoring the portfolio to the UK Government, with 99.2% of FY25 gross rental income from the UK Government and DWP contributing 92.3% of annualised gross rental income as at 31 Dec 2025.
- Improved cashflows visibility by extending leases via new lease agreements that materially de-risk 2028 expiries and enhance the lease maturity profile.
- Reinforced lease resilience with WALE (by GRI) of 7.2 years on a pro-forma basis post-lease re-gear as at 31 Dec 2025 (vs 2.4 Years before lease re-gear)
- Enhanced value-unlocked optionality as Peel Park, Blackpool is positioned as a potential monetisation catalyst.

Material E issues

- Strengthened portfolio energy management by prioritising efficiency measures across the UK portfolio (LED lighting, high efficiency HVAC, and smart building technologies) and planning progressive retrofits for older assets.
- Improved environmental data completeness by achieving 100% energy-consumption data coverage as a percentage of total floor area in FY25 (up from 85.9% in FY2023 and 87.4% in FY24)
- Enhanced energy efficiency with portfolio energy intensity declining to 57.5 MJ/sq ft in FY25 (FY24: 64.1), despite total energy consumption of 213,394.0 GJ (FY24: 207,676.9).
- Set measurable building-quality targets by aiming for >25% of the portfolio to achieve EPC rating C and above by 2027, and >3% to achieve EPC rating B and above by 2027, supporting long-term obsolescence and transition-risk mitigation.

Material S issues

- Maintained workplace safety standards by recording no incidents of reportable injuries in its workplaces, supported by ongoing health and safety measures and collaboration with occupiers/tenants.
- Reinforced employee well-being support by providing access to benefits such as medical insurance and health-related support programmes.
- Strengthened stakeholder engagement and community involvement through structured engagement channels, including FY25 participation in fundraising activities (e.g., running together to raise funds for StandOut, a UK charity).
- Improved performance and talent management discipline by achieving 100% employee participation in annual performance evaluations and career development reviews

Key G metrics and issues

- Maintained a Board with seven Directors, all non-executive, with four Independent Directors (IDs), and an Independent Chairman, supporting majority independent oversight.
- Disclosed Board diversity metrics, with independence at 56% (4 of 7) and women directors at 0% as at 31 Dec 2025 (following the resignation of the only female director on 8 Aug 2025).
- Clarified major shareholder linkage at Board level by having three Non-Independent Non-Executive Directors with principal commitments to Elite Partners Capital, Elite Partners Holdings and related entities, while IDs are stated to be independent from substantial unitholders.
- Strengthened governance standing with a 2025 Singapore Governance and Transparency Index (SGTI) ranking of 16th in the REIT & Business Trust category and inclusion in the SGX Fast Track Programme.
- Reinforced audit governance by appointing KPMG LLP as external auditor, with FY25 audit fees of GBP323,000 and no non-audit services, and recommending KPMG for re-appointment for FY26
- Strengthened remuneration transparency via clear director's fee disclosures, base fee SGD40,000 for non-executive directors, and chairmanship fees of SGD45,000 (Board), SGD25,000 (ARC), SGD15,000 (NRC), with FY25 director fee amounts disclosed by individual.
- Improved sustainability governance by establishing a Board-led structure and requiring all directors to undergo sustainability and climate-related training, strengthening ESG accountability and capability.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 80)						
	Particulars	Unit	2019	2020	2021	TPIA IJ (2021)
E	Scope 1 GHG emissions	m tCO2e	5.73	5.77	5.67	1.96
	Scope 2 GHG emissions	m tCO2e	1.29	1.33	1.33	0.47
	Total	m tCO2e	7.02	7.10	7.00	2.43
	Scope 3 GHG emissions	m tCO2e	N/A	3.06	3.27	N/A
	Total	m tCO2e	7.02	10.16	10.27	N/A
	GHG intensity (Scope 1 and 2)	tCO2e/t	0.68	0.66	0.67	0.63
	Energy intensity	GJ/ton	15.37	15.73	15.76	11.43
	Share of renewable energy use in operations	%	N/A	N/A	N/A	N/A
	Wastewater discharge (chemical O ₂ demand)	tonnes	153.7	177.8	171.4	22.7
	Hazardous waste 3R rate	%	70%	85%	75%	98%
	Air emissions intensity	ton/kT	2.83	2.21	2.42	N/A
	NPE (New Plastic Economy) investments	MYR m	8	3	3	N/A
Cases of environmental non-compliance	number	0	0	0	N/A	
S	% of women in workforce	%	17.4%	17.2%	17.3%	15.2%
	% of women in management roles	%	30.8%	30.2%	21.9%	21.3%
	Lost time injury frequency (LTIF) rate	number	0.08	0.14	0.07	0.11
	Lives impacted by CSR outreach ('000)	number	20	70	295	N/A
G	MD/CEO salary as % of reported net profit	%	N/A	0.10%	0.02%	N/A
	Board salary as % of reported net profit	%	0.06%	0.21%	0.04%	N/A
	Independent directors on the Board	%	50%	50%	50%	33%
	Female directors on the Board	%	25%	25%	25%	0%

Qualitative Parameters (Score: 100)	
a) is there an ESG policy in place and whether there is a standalone ESG committee or is it part of a risk committee?	<i>Yes - as of FY21, it has an established framework and a working sustainability committee that reports quarterly to the Board.</i>
b) Is the senior management salary linked to fulfilling ESG targets?	<i>Yes - in FY21, sustainability KPIs were introduced in top management performance appraisals.</i>
c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?	<i>Yes</i>
e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?	<i>Yes - purchased goods and services (Cat. I) and use of sold products (Cat. II); calculated using Simplified IPCC Tier 1 method.</i>
f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?	<i>It has a framework to reduce 20%/80% of emissions by 2030/40 based on the 2020 baseline, in line with its 2050 NCZE aspiration. It conducted a feasibility study with a private firm to turn non-recyclable plastic waste into crude naphtha and also invested MYR40m in a plant that produces Bio-MEG from palm biomass. To reduce air emissions, it utilises UHPM fuel cell applications (24% lower CO₂ emissions) while for water mgmt, it deployed mobile reverse osmosis tech to reduce raw water consumption by 16% and has invested MYR3m in an automated water quality management system powered by renewable energy.</i>
g) Does carbon offset form part of the net zero/carbon neutrality target of the company?	<i>Yes</i>

Target (Score: 100)		
Particulars	Target	Achieved
Reduce Scope 1 & 2 GHG emissions (tonnes) by 2024	6.98	7.00
Reduce energy intensity (GJ/tonne) vs 2014 baseline	10%	11%
Recover plastic waste from total MY polymer production volume by 2030	100%	N/A
Increase hazardous waste 3R (reduce, reuse, recycle) rate by 2024	82%	75%
Increase number of people reached by CSR outreach initiatives ('000)	1,000	295
Reduce 2030/40 carbon emissions vis-a-vis 2020 baseline	20%/80%	N/A
Net-zero carbon emissions by 2050	Net 0	N/A
Impact		
NA		
Overall Score: 85		
As per our ESG matrix, ELITE UK REIT (ELITE) has an overall score of 85.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	80	40
Qualitative	25%	100	25
Target	25%	100	25
Total			90

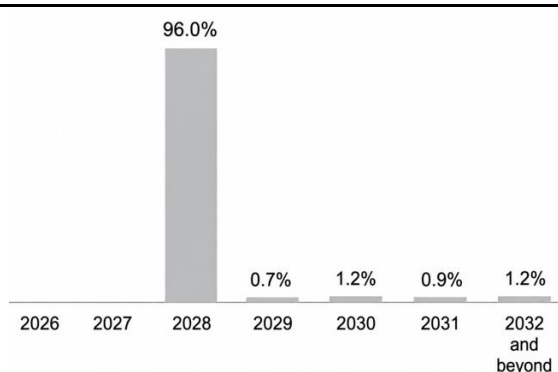
Elite has in place a structured framework, supported by internal policies and governance practices, with growing focus on sustainability initiatives across its portfolio. However, this also constrains its ability to directly drive improvements in quantitative “E” metrics on a YoY basis. ELITE’s overall ESG score is 85, which makes its ESG rating above average in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

1. Investment thesis

1.1 DWP lease renewal de-risks income and extends visibility

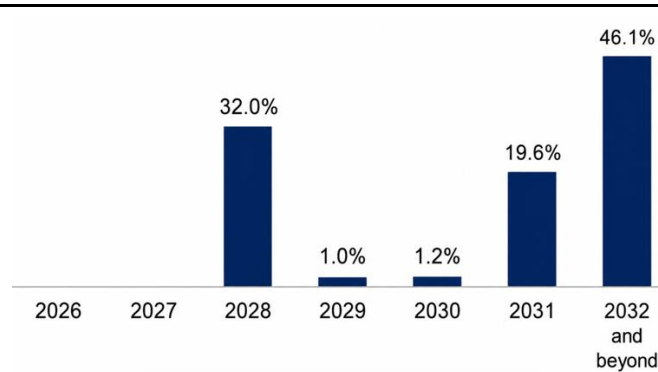
ELITE’s investment case is anchored on improved income visibility following the ongoing re-gear of its largest tenant, the Department for Work and Pensions (DWP). Approximately 70% of leases have been secured, extending WALE to 6.9 years and significantly de-risking the previously concentrated 2028 expiry profile. With retention rates guided at 85-95% and only a small number of asset-specific exits expected, occupancy risk remains manageable. While there is no rental reversion expected in the near term (locked in until 2032 at c.GBP10 psf vs market c.GBP40 psf), this reflects below replacement cost economics and supports stable, government-backed cashflows.

Fig 1: Lease expiries profile before re-gearing



Source: Company, Maybank IBG Research

Fig 2: Lease expiries profile after re-gearing



Source: Company, Maybank IBG Research

1.2 Peel Park divestment to unlock value

ELITE’s planned divestment of Peel Park (c.10% of AUM; GBP44m valuation) provides a clear capital recycling catalyst, supported by a proven divestment track record. Management has demonstrated its ability to unlock value through disposals, such as the sale of Ladywell House at an 8.3% premium to valuation, reinforcing confidence in achieving at least book value for Peel Park. With planning approval secured for alternative use as a data centre and a significant uplift in valuation (+82% since Dec-23), the asset offers strong monetisation potential. Proceeds can be redeployed into more accretive opportunities such as redevelopment of PBSA. We expect the divestment to materialise by the end of 2026.

Fig 3: Peel Park



Source: Company, Maybank IBG Research

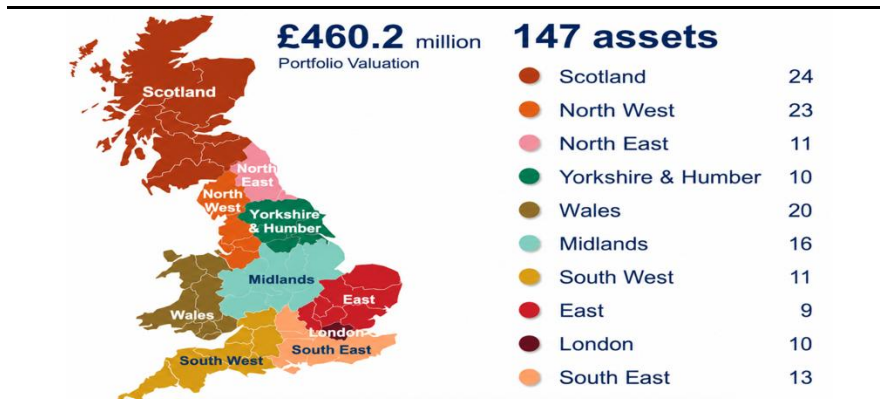
1.3 Attractive ~9% yield supported by stable funding profile
 Elite UK REIT offers an attractive yield of c.9%, supported by an increased payout ratio of ~95% (VS FY24 of 90%) and a stable funding profile. Cost of debt remains contained at 4.7%, with over 90% of borrowings on fixed rates and no refinancing requirements until 2027, mitigating interest rate volatility. This is complemented by an undemanding valuation at c.0.86x P/NAV, implying the REIT is trading at a discount to its underlying asset value despite its defensive, government-backed income profile. Its triple-net lease structure and predominantly public-sector tenant base supports resilient and predictable distributions while offering potential for capital upside should valuation gaps narrow.

2. Corporate information

2.1 Business description

ELITE is a UK-focused REIT that owns a diversified portfolio of commercial properties across the United Kingdom, with rental income anchored by UK government-related tenants, led by the DWP. As at 31 Dec 2025, its portfolio comprises 148 properties with a combined valuation of GBP424.7m. Over 99% of gross rental income is derived from the UK government (99.2%), led by the DWP (DWP: 92.3%), followed by the Ministry of Defence (2.4%), Home Office (2.1%), HM Courts & Tribunals Service (1.4%), DEFRA (0.7%) and Environment Agency (0.3%).

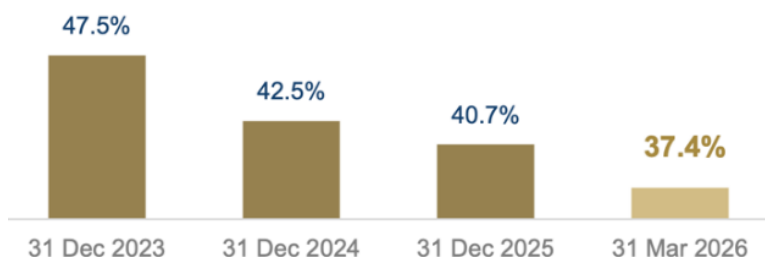
Fig 4: ELITE's assets overview



Source: Company, Maybank IBG Research

Integrated portfolio model

ELITE's business model centres on owning mission-critical government-let office assets, maintaining cashflow visibility through proactive lease management, including lease re-gear initiatives ahead of major expiry clusters, and pursuing selective capital recycling where monetisation can reduce balance sheet risk and enhance distribution sustainability.

Fig 5: Gearing has been falling since 2023


Source: Company, Maybank IBG Research

2.2 Stable rental income, higher property costs

ELITE reported FY25 gross revenue of GBP36.6m (+0.3% YoY) and NPI of GBP34.6m (-4.7% YoY), reflecting stable rental income but higher property-related costs and lower non-recurring income items such as dilapidation settlements.

Distributable income increased 4.6% YoY to GBP19.3m, translating into FY25 DPU of 3.03 pence (+5.6% YoY). The improvement was driven by a lower cost of debt (FY24: 4.9% vs FY25: 4.7%) and contributions from newly acquired assets, which supported distribution growth despite softer NPI.

Improved earnings quality

Although tenant concentration is unchanged in nature, earnings quality has improved as the manager executed a major lease re-gear ahead of the 2028 expiry wall, reducing the “cliff” from 95.7% of gross rental income expiring in 2028 to 32.0%, and lifting WALE to 7.2 years on a pro-forma basis (versus 2.4 years before the re-gear). This materially improves cashflow visibility and reduces renewal and refinancing risk premiums that typically weigh on UK office cashflows.

At the same time, earnings support has become more balanced through portfolio actions. The REIT completed an accretive acquisition of three freehold and virtual freehold government-leased assets for GBP9.2m in June 2025, which carried a WALE of 7.4 years (as at 31 Mar 2025) and an attractive gross rental income yield of 9.2%, while also increasing the contribution from non-DWP government tenants.

ELITE’s financing distributable income in FY25 benefited from lower cost of debt (4.9% to 4.7%) and contributions from newly acquired assets.

2.3 Pivot to lengthening lease expiry

A key governance change in FY25 was the board refresh following the stepping down of Datin Paduka Sarena Cheah and Mr Tan Chin Hwee on 8 Aug 2025.

Relative to the earlier initiation-stage profile (when lease concentration risk was flagged with WALE of 4.3 years and 94.8% of leases expiring in FY28), management’s execution has since pivoted toward materially de-risking the 2028 expiry wall through active lease negotiations and portfolio actions.

3. Investment Focus

3.1 Sources of growth (SOG)

ELITE's growth is driven by embedded contractual rental upside and capital recycling catalysts, rather than market-leasing risk. The leases incorporate CPI-linked rent review mechanics, which provide for compounded annual rental increases of 1%-5%, creating a medium-term path for rental income growth when reviews are triggered.

A second growth lever is asset monetisation and repositioning, led by Peel Park, which has secured planning and approval for data centre facility use. This creates a potential value-unlock route through divestment and could become DPU-accretive if proceeds are recycled into higher-yielding opportunities or used to reduce debt.

Beyond Peel Park, management has been executing a selective divestment strategy focused on smaller assets, with recent disposals largely below GBP1.5m each, and has indicated scope for further divestment or repositioning in response to DWP's estate optimisation strategy. This supports NAV realisation, portfolio quality upgrading, and balance sheet flexibility without relying on external equity funding.

3.2 How production /service input factors support SOG

ELITE supports its growth strategy through a relationship-driven operating model that combines a government-anchored tenant base with active asset management and disciplined capital deployment. A key input is the strength of engagement with DWP, which enables structured lease negotiations and underpins longer-term estate planning discussions, supporting ELITE's ability to secure longer tenors and improve income visibility over time.

The REIT's growth execution is also supported by tenant-aligned capex initiatives. ELITE has secured a capital incentive partnership with DWP to upgrade three assets, with ELITE contributing GBP9.5m and DWP contributing over GBP20m, which improves asset quality and leasing resilience while limiting the REIT's standalone capital burden.

From a funding input perspective, ELITE has maintained balance sheet flexibility to support acquisitions, capex timing, and capital recycling. The REIT has GBP189.6m in bank facilities with GBP21.2m of undrawn revolving capacity, providing liquidity headroom to execute portfolio actions without excessive reliance on equity issuance.

Tenant partnership and capital support

A supportive policy and funding backdrop further strengthens these inputs, as the UK government's capital allocation to DWP is expected to peak at around GBP1.0b in FY27, which is primarily earmarked for non-recurring estate investments such as job centre upgrading. This improves the likelihood of continued asset enhancement activity across DWP-occupied sites and reinforces the durability of ELITE's upgrade-led strategy.

3.3 How do processes support SOG

ELITE's growth is supported by a repeatable operating playbook that turns tenant engagement and portfolio actions into visible, contract-backed cashflows.

The first layer is a structured lease execution process, where negotiated outcomes are formalised into longer-dated lease structures with clearer maturity ladders and defined rent review mechanics. This process reduces earnings volatility by shifting lease risk away from a single expiry cluster and anchoring rental uplifts to pre-agreed review terms rather than market re-leasing risk.

The second layer is an asset management and capex governance process that is tenant-aligned. ELITE's approach emphasises targeted upgrades that are operationally relevant to the occupier and co-funded, which helps to protect asset utility and reduce obsolescence risk over time.

The third layer is a capital recycling discipline that separates "core income" assets from "value-unlock" candidates. Smaller assets are identified for divestment or repositioning where they are less strategic, while ELITE retains optionality for large assets with alternative-use potential. This improves the quality of portfolio earnings by recycling capital into higher conviction opportunities or reducing debt.

Lease execution and portfolio optimisation

Operationally, the REIT's processes are designed to improve income durability through proactive lease re-structuring, targeted asset upgrading, and disciplined portfolio optimisation, which together support steadier distributable income generation through the cycle.

3.4 Output factors support SOG

ELITE's output factors are reflected in a more investable distribution profile. Targeting steadier distributable income generation supported by improved lease maturity outcomes and a clearer runway for contractual rental growth. Management's portfolio strategy also supports output quality by gradually shifting the portfolio towards assets with stronger value resilience, while retaining optionality for strategic monetisation outcomes which can translate into distribution support if proceeds are recycled efficiently.

4. Competitive landscape and positioning

4.1 Analyse industry landscape & impact on SWOT

ELITE operates in the United Kingdom office sector, where fundamentals have been shaped by a higher interest-rate environment, softer occupier demand, and shadow space pressures. These conditions have pressured transaction activity and valuations, as pricing has been more sensitive to capitalisation rates and financing costs.

Elite's positioning is differentiated by its government-anchored tenancy profile, which is structurally more defensive than conventional corporate office landlords. The DWP performs essential public services and tends to remain relevant through economic cycles, supporting income stability. However, the REIT remains exposed to tenant concentration and the risk that government estate optimisation could reduce space requirements over time.

SWOT implications

Elite's key strength is the stability of government-backed rental income and improved lease visibility through active lease management. Key weaknesses include high tenant concentration and valuation sensitivity to interest rates and capitalisation rate movements in the United Kingdom office market. Opportunities lie in executing capital recycling and unlocking value from strategic assets, alongside potential support from government-led estate upgrading initiatives. Threats include renewed valuation pressure, ongoing estate rationalisation by the key tenant, and refinancing conditions that can influence distributable income through changes in funding costs.

4.2 Positive signals from government spending

A key structural driver for ELITE is the UK public-sector policy environment, where estate decisions are influenced by fiscal priorities and budget allocations. The UK government's 2025 spending review indicates increased capital funding for the DWP, with its capital departmental expenditure limit expected to peak at around GBP1.0b in FY27, primarily earmarked for non-recurring investments such as estate upgrading works for job centres.

This policy backdrop is already translating into tangible portfolio actions beyond any single asset, as Elite has secured a capital incentive partnership with DWP to upgrade three assets. This supports asset relevance and renewal outcomes by aligning building upgrades with tenant requirements, while limiting ELITE's standalone capex burden.

From a macro perspective, UK office valuations remain sensitive to interest rates and capitalisation rate movements, which affect transaction liquidity, portfolio valuations and refinancing conditions. This reinforces the importance of disciplined balance sheet management and selective capital recycling in preserving distribution resilience as financing conditions evolve.

Government estate investment and alternative-use tailwinds

On the structural trend side, the portfolio has a targeted value-unlock opportunity through alternative-use and repurposing pathways, as demonstrated by Peel Park's planning approval for data centre facility use. This aligns with broader demand for digital infrastructure, supporting the potential for capital recycling and value realisation where execution conditions are favourable.

4.3 Supply dynamics my prompt divestments

ELITE operates in a United Kingdom office market where supply dynamics are increasingly driven by surplus space and muted occupier expansion, which has contributed to softer market leasing conditions and higher sensitivity to valuation yields. The earlier industry work highlights that office space demand was expected to decline as office-based employment contracts and the work-from-home shift raises "shadow space" across the market, reducing pricing power for conventional landlords.

For Elite, the relevant supply variable is not a new speculative development, but the tenant's ongoing estate optimisation approach, where space utilisation and rightsizing decisions can influence vacancy risk and asset-level rent discussions. Management has acknowledged that further selective divestments or repositioning may be required in response to DWP's estate rightsizing strategy, which shapes the portfolio's medium-term supply exposure.

Supply conditions and mitigation

Elite mitigates adverse market supply dynamics through proactive lease management and targeted asset upgrading with tenant participation, which reduces reliance on open-market leasing and lowers the probability of sudden vacancy shocks in a weak office letting environment.

4.4 Defensive demand dynamics

Demand for Elite's space is driven by the UK government's occupancy requirements, led by DWP's delivery of welfare, pensions, child maintenance and employment support services. This demand profile is structurally more defensive than private-sector office demand, and the earlier work notes that DWP's service needs can expand during economic downturns when unemployment rises, supporting the continued relevance of its operational footprint.

Policy and funding trends further underpin demand resilience. The 2026 update highlights the UK government's increased capital funding allocation to DWP, with capital expenditure budgets rising toward a peak around FY27, which is directed toward estate upgrading and related investments. This supports continued occupation and improvement of job centre infrastructure, strengthening the durability of demand for appropriately configured assets.

Demand drivers and tenant behaviour

While the broader UK office market remains soft, Elite's demand is more closely tied to public-service delivery requirements and tenant estate strategy, making lease negotiations, renewal terms and asset suitability the key variables driving occupancy and rental outcomes over time.

5. Financial analysis

5.1 Earnings model analysis (managing topline and op costs)

ELITE's earnings model is fundamentally lease-cashflow driven, where distributable income is shaped by three main lines: rental revenue, property-level costs (which determine NPI), and financing costs (which drive cash available for distribution). In FY25, gross revenue was stable at GBP37.9m, indicating that the top line remains primarily a function of contracted rents and portfolio size rather than volume-driven growth.

On operating costs, the key swing factor is property-level expenses and one-off items linked to asset actions. FY25 NPI declined to GBP36.01m, reflecting higher repositioning-related expenses and a lower contribution from dilapidation-related receipts relative to the prior period, which highlights that near-term NPI can be temporarily diluted when the REIT is actively managing vacancies, works, and portfolio optimisation.

At the distributable income line, performance is more sensitive to funding cost control and capital allocation. FY25 distributable income increased to GBP18.34m and DPU rose to 3.03 pence, supported by interest savings from a lower cost of debt (4.9% to 4.7%) and contribution from newly acquired assets. This reinforces that the manager's main "earnings levers" are maintaining stable rental collection, minimising leakage from property during asset actions, and optimising financing outcomes to protect distributions.

Margin drivers and cost pressures

The key operating sensitivities remain financing costs (given debt-funded portfolio actions), and property expense volatility during asset repositioning, while management's mitigating levers include maintaining a largely fixed-rate debt profile (85% fixed) and preserving liquidity headroom to execute asset plans without forcing adverse capital decisions.

5.2 Balance sheet, capital structure analysis

ELITE's balance sheet is anchored by a UK commercial property portfolio and funded primarily through bank borrowings, with leverage management remaining a key focus given the sensitivity of UK valuations to capitalisation rates. As at FY25, the portfolio recorded a c.2% YoY valuation uplift to GBP424.6m, while gearing improved to 40.7% as asset values increased faster than debt.

On the liability side, ELITE has GBP189.6m of bank facilities (term loans and revolving credit), with facilities maturing in Oct 2027, and maintains GBP21.2m of undrawn revolving capacity which provides liquidity headroom for asset enhancement works, acquisitions, and timing differences in capital recycling. The capital structure is also positioned defensively through a high fixed-rate profile, with c.85% of debt on fixed rates, and management expects refinancing optionality to support further optimisation as rates decline.

Funding strategy and balance sheet position

Overall, ELITE's funding strategy emphasises maintaining sufficient debt headroom and liquidity flexibility while executing asset management initiatives and capital recycling, with balance sheet resilience supported by a longer debt maturity runway, a largely fixed-rate debt profile, and ongoing efforts to manage leverage through selective divestments and value-unlock opportunities.

5.3 Cash flow, free cash flow analysis

Distribution payout model, with cash conversion primarily influenced by working capital timing, financing costs and acquisition or recycling activity. In FY25, cashflow from operations was GBP36.69m, supported by positive working capital movements of GBP6.08m, indicating efficient cash conversion despite a softer NPI profile during the year.

Free cash flow is largely absorbed by financing outflows, reflecting the REIT's distribution mandate. In FY25, interest payments were GBP9.01m and distributions to unitholders were GBP17.25m, resulting in a meaningful cash outflow through financing activities and limiting retained cash after distributions.

Cash balances improved through the year as overall cash movements were supported by the operating inflows and net financing flows, with ending cash rising to GBP16.02m (FY24: GBP6.63m). This provides a stronger liquidity buffer for near-term operational needs and timing gaps related to portfolio actions.

Operating cash flow and liquidity discipline

Elite's cashflow quality remains underpinned by recurring rental cash receipts, while liquidity management is guided by interest-rate exposure, distribution commitments and the timing of acquisitions or divestments, making revolver headroom and refinancing planning important to sustaining distribution stability through the cycle.

5.4 Capital expenditure analysis

ELITE's capex is primarily asset enhancement and compliance-led rather than development-driven, reflecting its focus on maintaining asset relevance for government occupiers and protecting renewal outcomes. A key medium-term capex programme is the tenant-aligned upgrade pipeline under the capital incentive partnership with DWP, where Elite will contribute GBP9.5m and DWP will contribute over GBP20m across three assets, reducing the REIT's sole capital burden while supporting estate upgrading.

In FY25, cash flow disclosures indicate limited recurring maintenance capex in the period, with "capex and related adjustments" recorded at nil, suggesting that near-term cash deployment was more centred on portfolio transactions and balance sheet positioning rather than significant maintenance outlays.

Separately, capital allocation is also influenced by repositioning and value-unlock initiatives, where selective divestments and potential monetisation outcomes can fund reinvestment into higher-quality assets or reduce leverage, indirectly supporting future capex capacity and portfolio quality.

Capex strategy and execution focus

Elite's capex strategy prioritises targeted, tenant-supported upgrades that protect long-term income durability, with the pace of execution likely linked to tenant estate planning timelines, refinancing flexibility and capital recycling progress.

6. Valuation

We value ELITE using a three-stage Dividend Discount Model (DDM), deriving a target price based on a cost of equity of 10.0% and terminal growth rate of 1.0%, reflecting its long-dated, government-backed cashflows and limited near-term rental reversion. The lower terminal growth assumption captures the flat rental profile from DWP leases (with no reversion until 2032), while the cost of equity incorporates UK macro and interest rate risks.

As a cross-check, the REIT is currently trading at c.0.86x P/NAV, which we view as undemanding given its defensive income profile, long WALE of 6.9 years and high occupancy of 99.9%. Compared to SGX-listed office and commercial REIT peers, Elite UK REIT offers a superior dividend yield of 9%, supported by stable cost of debt (4.7%) and predominantly fixed-rate borrowings. While there are UK-listed peers with similar government tenancy exposure, structural differences in portfolio composition, lease structures and currency exposure limit direct comparability, reinforcing our preference to anchor valuation primarily on DDM.

Fig 6: DDM valuation for ELITE

DDM Calculations								
Time Period	0	0	0	1	2	3	4	5
FYE Dec (Ects)	FY23	FY24	FY25	FY26F	FY27F	FY28F	FY29F	Terminal
DPU	3.07	2.87	3.03	3.05	3.10	3.19	3.22	49.6
PV of DPU	3.1	2.7	2.6	2.8	2.7	2.5	2.4	33.6
No of units	482.1	593.4	603.2	603.2	603.2	603.2	603.2	603.2
PV of distribution income	10.4							
PV of terminal value	33.6							
Total	43.9							
DDM/unit	0.44							
Upside/ (Downside)	29.2%							
Implied Divd Yield	6.9%							
BVPS	0.45							
Implied P/BV	0.98							

Source: Company, Maybank IBG Research

7. Risks

7.1 Core operational risks

ELITE's core operational risk is tenant concentration and estate optimisation risk, given the portfolio's high exposure to UK Government departments led by DWP. Any change in DWP's service delivery footprint, rightsizing strategy or location requirements could increase vacancy risk, pressure rental terms at renewal, and reduce cashflow stability, particularly in a softer UK office leasing environment.

A second operational risk relates to portfolio execution and asset suitability. While tenant-aligned upgrades support longer-term relevance, delays, cost overruns or misalignment with tenant specifications could reduce the effectiveness of asset enhancement programmes and impact leasing outcomes.

7.2 FX risks

ELITE derives rental income in GBP while units trade on SGX, exposing SGD-based investors to GBP/SGD currency fluctuations. Distributions may be received in GBP or converted to SGD, and FX movements can impact both distribution amounts in SGD terms and perceived total return.

7.3 Capital and refinancing risks

The REIT's distributable income is sensitive to interest rates and refinancing conditions, given a bank-debt funded capital structure. While management has a largely fixed-rate profile and bank facilities, refinancing terms at maturity and any adverse credit spreads can raise funding costs and pressure distributions.

Asset valuation risk is also material, as UK property values are sensitive to capitalisation rate movements. A renewed valuation decline could compress debt headroom and constrain capital flexibility, particularly if capital recycling is delayed.

7.4 Regulatory and policy risks

ELITE's performance is linked to UK public-sector policy and fiscal priorities. Changes in government spending allocations or estate rationalisation policies could influence tenant space requirements and upgrade pipelines, affecting renewal dynamics and long-term occupancy.

7.5 Concentration and asset-specific risks

Asset-specific concentration risk remains relevant for larger strategic assets that form meaningful portions of portfolio value. While value-unlock pathways can be additive, execution and timing risks may delay monetisation outcomes and reduce expected capital recycling benefits.

8. Appendix

Fig 7: Broadway House, Jobcentre



Source: Company, Maybank IBG Research

Fig 8: Broadway House, Jobcentre



Source: Company, Maybank IBG Research

Fig 9: Priory Court, Dover (Recent acquisition), Home Office



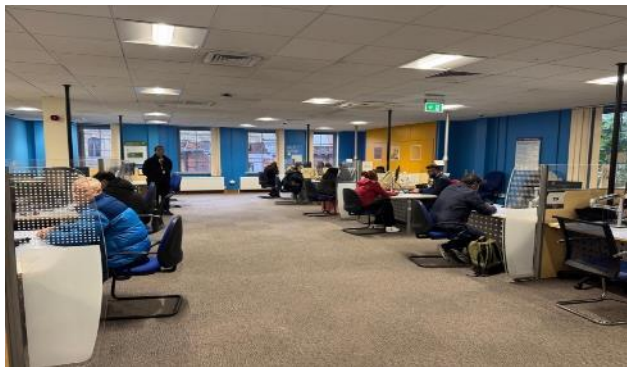
Source: Company, Maybank IBG Research

Fig 10: Priory Court, Dover (Recent acquisition), Home Office



Source: Company, Maybank IBG Research

Fig 11: Oates House, Jobcentre post refurbishment



Source: Company, Maybank IBG Research

Fig 12: Broadway House, Jobcentre post refurbishment



Source: Company, Maybank IBG Research

Fig 13: Peckham, Jobcentre



Source: Company, Maybank IBG Research

Fig 14: Peckham, Jobcentre



Source: Company, Maybank IBG Research

FYE 31 Dec (GBP m)	FY24A	FY25A	FY26E	FY27E	FY28E
Key Metrics					
Price/DPU(x)	1.03	1.19	1.1	1.1	1.1
P/BV (x)	0.7	0.9	0.9	0.8	0.8
P/NTA (x)	0.7	0.9	0.9	0.8	0.8
DPU yield (%)	9.7	8.4	8.9	9.1	9.3
FCF yield (%)	11.4	7.1	6.9	7.1	7.4
INCOME STATEMENT (GBP m)					
Revenue	36.5	36.6	36.7	37.1	37.8
Net property income	36.3	34.6	35.8	35.8	36.4
Management and trustee fees	(2.0)	(2.1)	(2.5)	(2.5)	(2.6)
Net financing costs	(11.8)	(14.0)	(13.3)	(12.9)	(12.9)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income/expenses	0.0	0.0	0.0	0.0	0.0
Pretax profit	25.2	20.3	20.0	20.4	20.9
Income tax	(2.6)	(2.1)	(2.1)	(2.1)	(2.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Total return avail to unitholders	22.6	18.2	17.9	18.3	18.8
Preferred Dividends	17.6	18.3	18.4	18.7	19.2
Core net profit	26.3	19.3	19.3	19.7	20.2
Distributable inc to unitholders	17.6	18.3	18.4	18.7	19.2
BALANCE SHEET (GBP m)					
Cash & Short Term Investments	6.6	16.0	7.3	9.6	10.4
Accounts receivable	8.0	2.1	11.8	11.9	12.1
Property, Plant & Equip (net)	0.0	0.0	0.0	0.0	0.0
Investment properties	413.7	425.9	413.7	413.7	413.7
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	12.9	0.0	10.2	10.2	10.2
Total assets	441.2	444.0	443.0	445.5	446.5
ST interest bearing debt	0.0	9.0	9.0	9.0	0.0
Accounts payable	0.0	0.0	0.0	0.0	9.0
LT interest bearing debt	183.3	185.0	185.0	185.0	185.0
Other liabilities	15.8	8.3	8.5	8.6	8.7
Total Liabilities	199.1	202.3	202.6	202.6	202.7
Shareholders Equity	242.1	241.7	240.4	242.8	243.7
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	242.1	241.7	240.4	242.8	243.7
Total liabilities and equity	441.2	444.0	443.0	445.5	446.5
CASH FLOW (GBP m)					
Cash flow from operations	23.6	19.1	17.9	18.3	18.8
Capex	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)
Acquisitions & investments	1.2	5.7	0.0	0.0	0.0
Disposal of FA & investments	0.0	0.0	0.0	0.0	0.0
Dividend income from associates	0.0	0.0	0.0	0.0	0.0
Other investing cash flow	0.0	0.0	0.0	0.0	0.0
CF from investing activities	(2.4)	2.0	(3.7)	(3.7)	(3.7)
Dividends paid	0.0	0.0	0.0	0.0	0.0
Interest expense	(11.5)	34.8	(13.3)	(12.9)	(12.9)
Change in debt	0.0	3.0	0.0	0.0	0.0
Equity raised / (purchased)	0.0	3.0	0.0	0.0	0.0
Other financial activities	0.0	0.0	0.0	0.0	0.0
CF from financing activities	(11.5)	40.8	(13.3)	(12.9)	(12.9)
Effect of exchange rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	9.6	61.8	0.9	1.7	2.2

FYE 31 Dec (GBP m)	FY24A	FY25A	FY26E	FY27E	FY28E
Key Ratios					
Growth ratios (%)					
Revenue growth	(3.1)	0.3	0.4	1.1	1.7
Net property income growth	(12.1)	(4.7)	3.5	0.0	1.5
Core net profit growth	(8.9)	(26.7)	0.2	1.9	2.7
Distributable income growth	(27.8)	4.2	0.2	1.9	2.7
Profitability ratios (%)					
Net property income margin	99.6	94.6	97.5	96.5	96.3
Core net profit margin	72.2	52.8	52.6	53.1	53.6
Payout ratio	90	95	95	95	95
DuPont analysis					
Total return margin (%)	62.1	49.7	48.8	49.2	49.6
Gross revenue/Assets (x)	0.1	0.1	0.1	0.1	0.1
Assets/Equity (x)	1.8	1.8	1.8	1.8	1.8
ROAE (%)	8.7	5.7	6.9	6.9	6.9
ROAA (%)	5.9	4.4	4.4	4.4	4.5
Liquidity & Efficiency					
Days receivable outstanding	3.12	3.12	3.12	3.12	3.12
Days payables outstanding	7.7	7.7	7.7	7.7	7.7
Dividend cover (x)	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	1.8	1.2	1.9	2.0	2.1
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.2	2.2	2.2	2.2
Net gearing (%) (excl. perps)	42.5	40.7	37.4	37.4	37.4
Net interest cover (x)	3.1	2.5	2.5	2.6	2.6
Debt/EBITDA (x)	5.0	5.7	5.8	5.8	5.5
Capex/revenue (%)	10.1	10.0	10.0	9.9	9.7
Net debt/ (net cash)	176.7	178.0	186.7	184.4	174.6
Debt/Assets (x)	0.42	0.44	0.44	0.44	0.41

Source: Company; Maybank IBG Research

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