23 July 2024

Property | REITS

Elite UK REIT (ELITE SP)

Buy

Turning Around With Tailwinds; BUY

Target Price (Return):	GBP0.31 (24.0%)
Price (Market Cap):	GBP0.25 (USD190m)
ESG score:	3.1 (out of 4)
Avg Daily Turnover (GBP/USD)	0.03m/0.04m

- **Initiate BUY with GBP0.31 TP, 24% upside and 11% yield.** Elite UK REIT – the only pure-play UK REIT focusing mainly on social infrastructure assets– is on a firm recovery path after addressing key issues of lease renewals, gearing, and debt refinancing. With market conditions turning favourable we see tailwinds from a stable new pro-labour government, increased rate cut odds, and economic growth. We believe this turnaround is yet to be priced in, as Elite offers attractive c.11% yield and trades at >30% discount to book.
- **Income certainty till mid-2028,** with c.97% of its UK government-backed leases locked in until then. A key investor concern: The concentration risk of government leases and likelihood of lease renewals in 2028. Based on our recent ground visit, and management and tenant discussions, we see a strong likelihood of >90% of such leases being renewed for the longer term before expiry. Management is aware of this overhang, and is proactively working with local authorities and government bodies to de-risk this before end 2026.
- **DPU to turn around in FY25.** We expect Elite's DPU to bottom out in FY24 with a 12% YoY decline, mainly due to its enlarged unit base and higher financing costs. With planned disposals of vacant assets by early next year, we expect operational costs to lower significantly and result in higher FY25 net property income (NPI) margins, while financing costs ought to stabilise from anticipated rate cuts, resulting in a sustained earnings turnaround.
- **Moving towards c.40% gearing target with good sponsors and major shareholders' support.** Elite raised GBP28m via a preferential offer in January to address its high gearing, thereby bringing net gearing to a comfortable c.42%. We think this offering has substantially de-risked its risk profile and was well supported by its sponsors and key shareholders (Appendix A). Additionally, sponsor Sunway (SWB MK, BUY, TP: MYR5) further subscribed for excess units, which doubled its stake in Elite to 11.2%, underlining its long-term commitment. With planned asset disposals and proceeds from dilapidation income, we see gearing lowering further by FY25.
- **Macro conditions turning more favourable.** UK inflation cooled to +2% YoY in June, hitting Bank of England's target range, with the market pricing in [45% odds for rate cuts in August], followed by another before end 2024. This will have a positive effect on Elite's floating rate loans and could also result in higher asset valuations in FY25, in our view. Additionally, the UK economy in May grew 0.4% MoM, doubling market expectations. The return of a Labour Party-led government is positive for Elite's social infrastructure assets – it is also likely to provide more regulatory clarity on polices governing the real estate sector. As the 3.1 ESG score is in line with the country median, we ascribe a 0% ESG premium/discount to the TP.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (GBPm)	37.1	45.2	40.5	38.8	39.3
Net property income (GBPm)	35.7	41.4	36.9	36.3	37.3
Reported net profit (GBPm)	(18.3)	(22.2)	7.8	26.0	28.3
Total distributable income (GBPm)	23.1	18.0	17.6	18.9	21.7
DPS (GBP)	0.05	0.03	0.03	0.03	0.03
DPS growth (%)	(12.1)	(36.2)	(12.1)	7.0	14.6
P/B (x)	0.48	0.64	0.69	0.66	0.59
Dividend Yield (%)	19.3	12.3	10.8	11.6	13.3
Return on average equity (%)	(6.8)	(9.7)	3.7	11.9	12.1
Return on average assets (%)	(3.6)	(4.8)	1.8	5.8	6.2

Source: Company data, RHB

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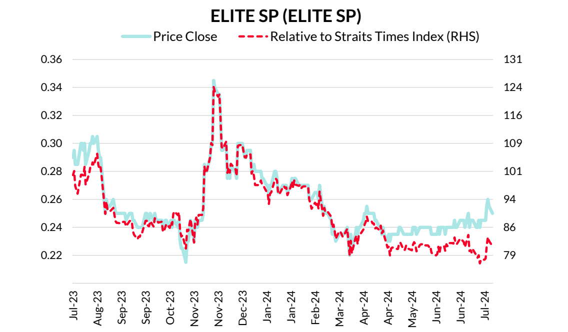
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(10.7)	4.2	8.7	(7.4)	(10.7)
Relative	(16.8)	0.2	2.1	(16.5)	(15.5)
52-wk Price low/high (GBP)					0.22 –0.35



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E: GOOD
Landmark Sustainability Collaboration with the UK Government's Department for Work & Pensions and Ministry of Defence to boost sustainability and energy efficiency of their occupied estate. Aligned with UK Government's national climate goals of achieving net zero carbon emissions by 2050.

S: EXCELLENT
Portfolio assets are mainly used for supporting UK Government's social agenda through providing crucial social infrastructure to carry out its mission to improve people's day-to-day lives and help them build a secure and prosperous future by maximising employment and in-work progression.

G: GOOD
Majority independent board. High level of transparency in earnings and information disclosure. Increased investor and market outreach and education process to raise awareness.

Note:
Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Financial Exhibits

Asia
Singapore
Property
Elite UK REIT
ELITE SP
Buy

Valuation basis

DDM

Key drivers

i. Stable cashflows from AA rated UK government tenants;
ii. Potential repositioning of its assets into data centres and Student accommodation;
iii. Attractive valuation with >10% yield.

Key risks

i. Non-renewal of majority of government leases upon expiry in 2028;
ii. Continued increase in interest rates impacting financing costs and asset values;
iii. Small portfolio size offering limited growth potential.

Company Profile

Elite UK REIT is a Singapore REIT established with the investment strategy of principally investing, directly or indirectly, in real estate and real estate-related assets in the UK. Elite is the only UK REIT listed in GBP on the SGX. The REIT's portfolio comprises predominantly freehold properties strategically located mainly in town centres, and near amenities and transportation nodes. The portfolio offers a stable government-backed income stream with over 99% of the gross rental income derived from the UK Government, backed by AA-rated sovereign credit strength.

Financial summary	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Recurring EPS (GBP)	(0.04)	(0.04)	0.02	0.05	0.05
EPS (GBP)	(0.04)	(0.04)	0.01	0.04	0.05
DPS (GBP)	0.05	0.03	0.03	0.03	0.03
BVPS (GBP)	0.52	0.39	0.36	0.38	0.42
Return on average equity (%)	(6.8)	(9.7)	3.7	11.9	12.1
Weighted avg adjusted shares (m)	478.94	527.57	587.07	588.32	589.32

Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Recurring P/E (x)	na	na	16.03	5.42	4.99
P/E (x)	na	na	18.78	5.67	5.20
P/B (x)	0.5	0.6	0.7	0.7	0.6
FCF Yield (%)	17.1	31.0	15.7	20.2	20.6
Dividend Yield (%)	19.3	12.3	10.8	11.6	13.3
EV/EBITDA (x)	(3.83)	(2.10)	(1.95)	(2.26)	(3.00)
EV/EBIT (x)	(3.83)	(2.10)	(1.95)	(2.26)	(3.00)

Income statement (GBPm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover	37.1	45.2	40.5	38.8	39.3
EBITDA	33.3	39.5	35.0	34.3	35.2
Operating profit	33.3	39.5	35.0	34.3	35.2
Net interest	(7.4)	(11.9)	(12.2)	(11.6)	(10.0)
Exceptional income - net	(1.4)	(1.1)	(1.5)	(1.4)	(1.4)
Pre-tax profit	(16.8)	(21.4)	8.9	29.5	32.2
Taxation	(1.5)	(0.8)	(1.1)	(3.5)	(3.9)
Recurring net profit	(16.8)	(21.0)	9.2	27.2	29.5

Cash flow (GBPm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Change in working capital	(8.0)	10.3	(5.9)	1.4	1.3
Cash flow from operations	27.9	44.6	26.1	32.7	33.3
Capex	(7.4)	(3.7)	(3.0)	(3.0)	(3.0)
Cash flow from investing activities	(7.4)	(0.5)	1.0	(1.0)	(3.0)
Dividends paid	(22.8)	(18.5)	(15.9)	(17.0)	(19.6)
Cash flow from financing activities	(33.2)	(33.9)	(21.1)	(33.4)	(28.2)
Cash at beginning of period	18.5	5.4	15.6	21.6	19.9
Net change in cash	(12.7)	10.2	6.0	(1.7)	2.2
Ending balance cash	5.8	15.6	21.6	19.9	22.1

Balance sheet (GBPm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total cash and equivalents	7	21	22	20	22
Total investments	460	414	409	420	431
Total assets	487	444	446	454	467
Short-term debt	7	126	84	15	30
Total long-term debt	213	94	132	200	170
Total liabilities	239	237	233	233	219
Shareholders' equity	248	207	213	221	248
Total equity	248	207	213	221	248
Net debt	213	199	194	195	178
Total liabilities & equity	487	444	446	454	467

Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Revenue growth (%)	6.7	22.0	(10.4)	(4.1)	1.2
Recurrent EPS growth (%)	705.0	13.5	0.0	196.0	8.6
Operating EBITDA margin (%)	89.9	87.3	86.4	88.3	89.6
Net profit margin (%)	(49.5)	(49.0)	19.3	66.8	72.1
Dividend payout ratio (%)	(126.0)	(73.2)	203.2	65.6	69.0
Capex/sales (%)	20.1	8.1	7.4	7.7	7.6
Interest cover (x)	4.24	3.19	2.71	2.79	3.32

Source: Company data, RHB

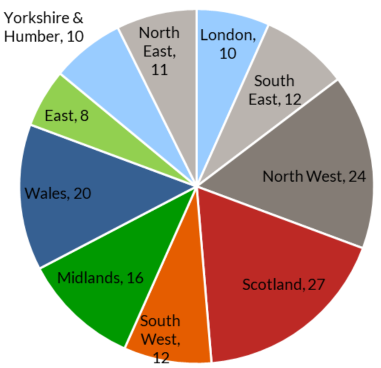
Investment Highlights

Elite is the first and only SGX listed pure-play S-REIT with the investment strategy of principally investing in commercial real estate-related assets in the UK. It is also the only REIT listed in GBP on the SGX. While Elite's assets are broadly classified as offices, the majority of its portfolio serves as a network of social infrastructure assets serving local communities in the UK. Due to the aforementioned nature of the REIT's portfolio, the assets are primarily located in town centres, and close to key transport nodes and amenities. Elite was listed in Feb 2020 with an initial predominantly freehold portfolio of 97 office assets and portfolio value of GBP319m. As of 1Q24, Elite's porfolio has grown to 150 assets with a total value of GBP413m with a total net lettable area (NLA) of 3.8m sq ft and a 92.3% occupancy rate.

A key aspect of its portfolio are the standalone and low-rise nature of these assets with good land area and car parking facilities, which can be valuable when undertaking asset redevelopment or repositiong. The assets are well-spread across 10 sub-markets in the UK. The North West, Scotland, and London are the top three submarkets – these, in total, account for 54% and 51% of FY23's portfolio valuation and gross rental income. There is also limited single-asset concentration risk in its portfolio, with no single asset accounting for more than 6% of the portfolio value. Additionally, the top three assets account for only c.14% of its total valuation (see Appendix C for asset details).

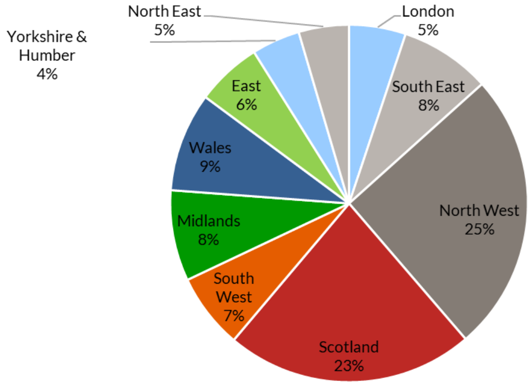
- Predominantly freehold assets and strategically located in key towns and near amenities across the UK
- Only listed pure-play REIT focusing on social infrastructure asset class in the UK and trades in GBP
- Limited single-asset concentration risk

Figure 1: Asset count by sub-market – total 150



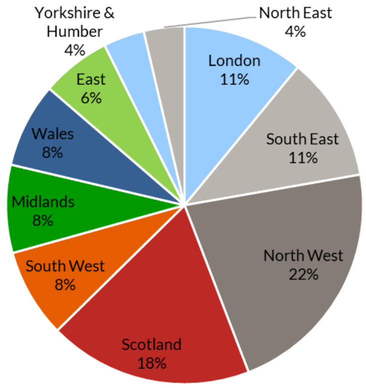
Source: Company data

Figure 2: Portfolio NLA breakdown by sub-market



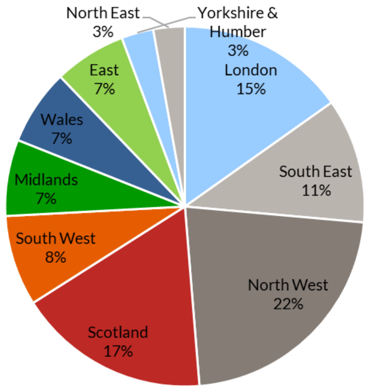
Source: Company data

Figure 3: Rental income breakdown by sub-market



Source: Company data

Figure 4: Portfolio valuation breakdown by sub-market



Source: Company data

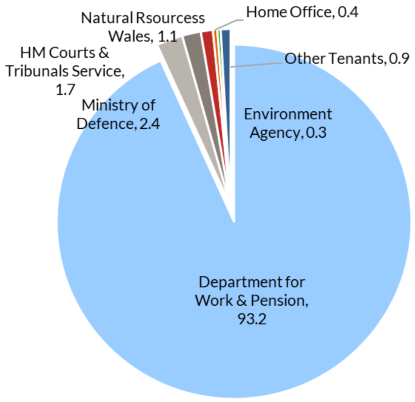
Strong tenant quality and stable income stream are its key strength, with more than 99% of income derived from the UK Government's various agencies (AA-rated sovereign credit). The Department for Work & Pensions (DWP) is Elite's largest and key tenant, occupying 136 of the 150 assets and accounting for c.93% of total rental income last year. The majority of these leases are signed with the Secretary of State for Levelling Up, Housing and Communities, which is a Crown body. The rents are paid quarterly and in advance at the start of every quarter.

- More than 99% of leases are with the UK Government with minimum credit quality risks
- Triple net leases, hence presenting minimal operational cost risks in the current high inflationary environment
- Rents paid quarterly and in advance

DWP is the UK's largest public service department, and is responsible for welfare, pensions, and child maintenance policies. It serves more than 20m claimants and customers. Elite's portfolio assets are part of the UK Government's crucial social infrastructure, through which the department provides services to local communities. About 88% of these assets provide front-of-house services, and primarily function as front-facing Jobcentre Plus agencies. The remaining 12% provide back-of-house support functions services, which include customer support centres, claims processing, finance, accounts, and fraud investigations.

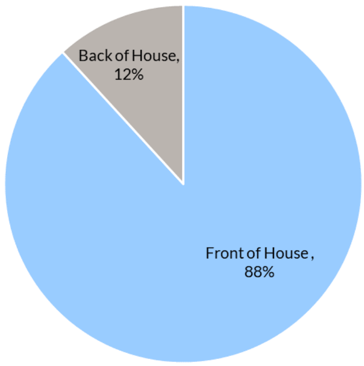
Besides DWP, other key government agencies within Elite's portfolio are the Ministry of Defence, HM Courts and Tribunal Service, Natural Resources Wales, Home Office, and Environment Agency. In addition, the portfolio leases are triple net – ie fully repairing and insuring leases – by which the responsibility for the repair of the external and internal parts, as well as the structure of the property, is placed with the tenants for the occupied assets. This reduces the operational risks and mitigates any operational cost pressures – in the current high interest rate environment – from increasing utility costs and manpower expenses.

Figure 5: Tenant breakdown



Source: Company data

Figure 6: Asset mix by DWP usage



Source: Company data

Less than 2% of leases expiring until 2028. Elite is one of the largest owners of critical social infrastructure to the DWP and other UK government departments – it has an estimated market share of c.25% of such assets overall. The leases with the UK Government are typically signed on a rolling 10-year basis, with a break option at the mid 5-year of the leases. As most of DWP's leases were last renewed in 2018, the break options for majority of the leases arose in Apr 2023. During this lease re-gearing exercise, the REIT managed to remove the break options for 136 assets, c. 92% of the total. In addition, as the majority of the leases (c.90%) have in-built rent escalation clauses pegged to the cumulative increase in UK Consumer Price Index or CPI during the term that kicks in at the end of the 5-year period. The remaining have rent escalations that are subject to rent reductions. This has been beneficial in the current high interest rate environment, with Elite seeing a healthy overall rental uplift of c.13% during the lease re-gearing exercise (Figure 7)

- Minimal lease expiries until 2028 provides income certainty
- Majority of leases has rent escalations pegged to UK CPI and have step-up at the end of five years

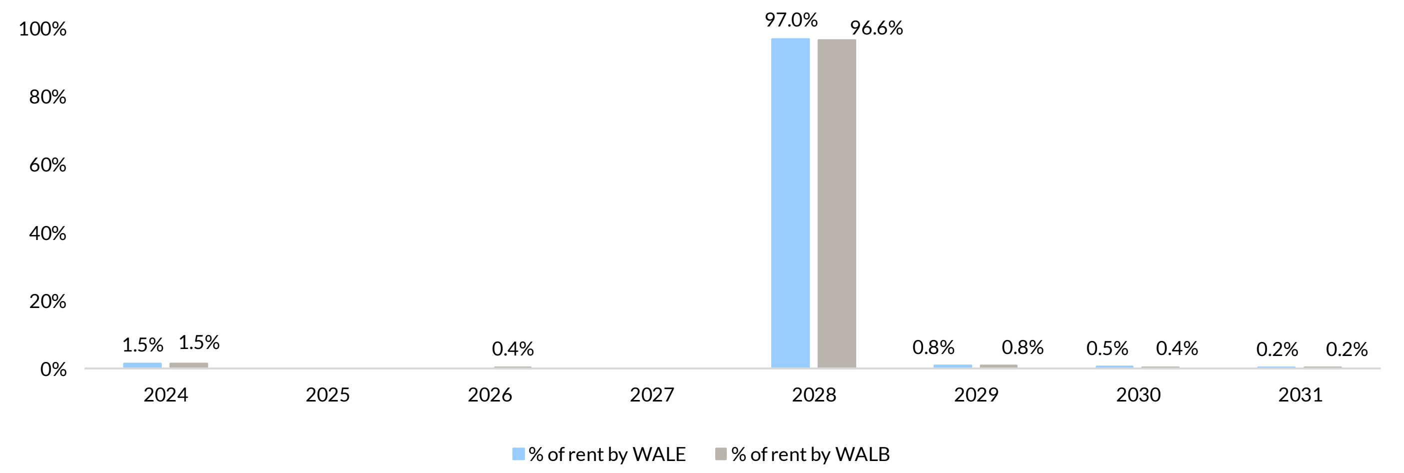
Post the latest lease renewals, all but three of its assets in portfolio have no leases/break clauses expiring until Apr 2028. For two of the assets whose leases are expiring this year, management expects one to be renewed for a long term on higher rent while the other is likely to be renewed on a short-term basis. For the majority of leases expiring in 2028 (c.97%) – based on current utilisation and discussions – managements base case expectation is that c.92-93% of these leases can be renewed. The worst case is 85-86%.

Figure 7: DWP lease re-gearing exercise rent escalation outcome

Rent escalation basis	Number of assets	Rent pa as at Mar 2023	Revised rent pa effective as at Apr 2023
Escalation of 21.07%	7	2,640	3,196
Escalation of 15.28%	116	27,083	31,222
Escalation of 15.28% subject to rent reduction	11	1,976	1,456
Escalation based on upwards only market rent review	2	132	132
Total	**136**	**31,831**	**36,006**

Source: Company data

Figure 8: Lease expiry profile



Source: Company data

Actively engaging with UK government tenants for an early renewal by end 2026. Based on our discussions management is fully aware of investors' concerns over high concentration risks and bulk of leases expiring during the same period (Apr 2028). But, due to the nature of UK government tenants historically, the leases have been structured this way and the tenants have been using most of these assets for more than 20 years. Due to the increase in real estate prices, the replacement costs for these assets are likely to be significantly high. In addition, the assets are well located and are familiar with the local population – hence, shifting an asset to a newer location would cause some inconvenience for end-users, in our view.

- Active engagement with tenants and local bodies to early de-risk leases expiring in 2028
- Sustainability collaboration efforts that are mutually beneficial to tenant and landlord to increase the long-term value of the asset

Nonetheless, to mitigate the concentration risks, management has been actively engaging with various UK government bodies and local authorities with a plan to renew most of the leases before 2026. In this regard, Elite has embarked on various collaboration strategies that will benefit both occupiers by lowering their operational costs and landlords by increasing the long-term value of the assets. One such effort has been on sustainability collaboration with an occupier for energy efficiency improvements across all DWP-occupied assets. Under this agreement signed in 2022 with the latter, as well as the Ministry of Defence, Elite will invest GBP12.5m over three years towards asset enhancement works.

The asset upgradation plan involves replacement of air-conditioning units with variable refrigerant systems, replacement of air handling units and building management systems, replacement of gas- or oil-fuelled boilers with new high efficiency or non-carbon-based heating system solutions, and roofing replacement projects. Some of the properties that have seen such upgrades are Bradmarsh Business Park, Upper Huntbach Street, Ladywell House, and Hidden House.

Dilapidation settlement proceeds mitigates holding costs. Another aspect of Elite's UK portfolio is that, upon vacating the premises, the tenant must pay dilapidation settlements – ie an agreement that is reached between a landlord and tenant about how much needs to be paid to carry out necessary repair work at the end of a lease – that can substantially cover the repair and upgradation of asset before an eventual sale or repositioning. Elite has so far reached settlement for nine of the 12 assets that has been vacated and, based on our estimates, received gross proceeds of GBP8m or equivalent to c.50% of the total asset value as of end Dec 2023. The REIT is currently working on final settlements for the last three assets, which we estimate could come in around GBP1m. The proceeds have been used mostly to repay the debt and has mitigated the holding costs of the assets, in our view.

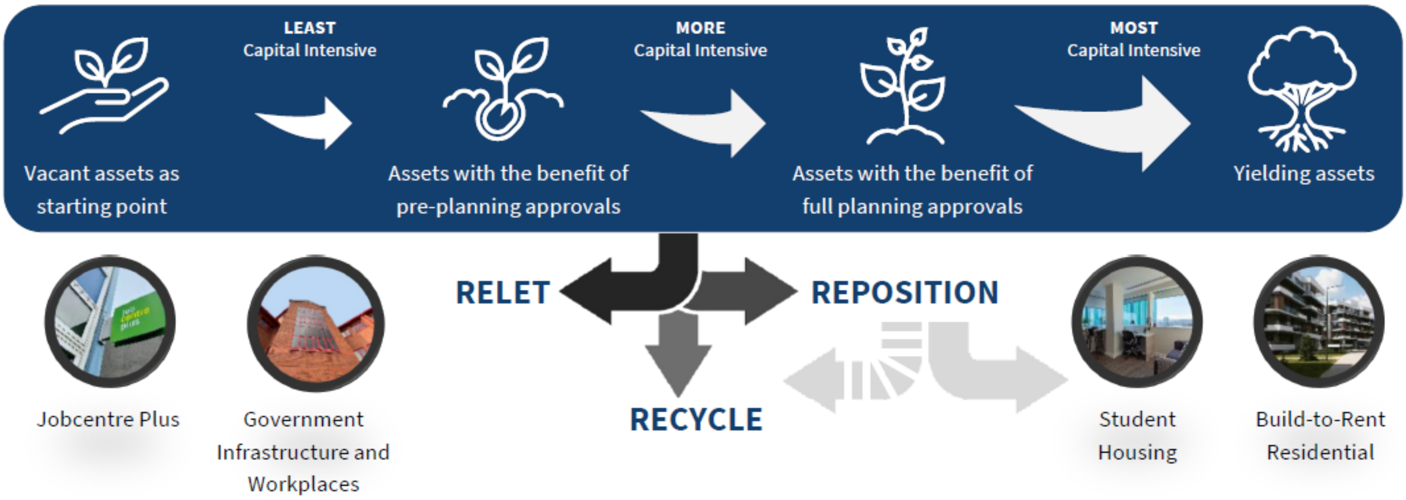
♦ Dilapidation settlement for asset upon tenant exit has so far raised c. GBP8m, which has been used to reduce gearing

The recent enlarged investment mandate presents redevelopment and medium-term growth potential. In Apr 2024, the REIT announced it will be broadening its investment mandate to include living sector assets in the UK, ie purpose-built student accommodation (PBSA), build-to-rent (BTR) residential, senior living and social housing, and/or other government housing projects.

The move comes as part of the REIT's long-term vision to build a portfolio of defensive cash flows backed by non-discretionary assets, as well to enlarge into a multi-sector and focused market exposure to the UK, which will diversify concentration risks in the longer term and better ride market cycles. The move also provides Elite with good value-creation opportunities for its existing portfolio, with the strong location attributes of the existing portfolio being complementary factors for conversion into such types of assets. In this regard the REIT announced a change of name to "Elite UK REIT" from its former name, Elite Commercial REIT, to better reflect the new strategy. Over the medium term (5-7 years), we believe living sector assets could encompass 10-20% of the overall portfolio, with defensive social infrastructure assets still the dominant asset class.

♦ Expanded investment mandate to extract best value from vacant assets and potentially diversify into the living sector portfolio, which is currently seeing strong demand in the UK

Figure 9: Elite's revamped strategy



Source: Company data

Divested five of the vacated assets so far at c.12% premium over valuations... The REIT has also proven, so far, its ability to divest some of the vacated assets at a premium to its latest valuations – despite last year's challenging market conditions. As most of the assets are located primarily in town centres with good accessibility and amenities, asset purchasers are typically developers that intend to redevelop such assets into residential developments or other commercial uses. In addition, the byte-size nature of these assets also offers good liquidity, as the capital outlay involved is smaller, which results in more potential buyers for such assets. The five divestments so far have generated gross proceeds of GBP3.4m for the REIT.

♦ Bite-sized nature of its assets and good locations provide market liquidity with five assets divested so far at a healthy premium over their last valuations

Figure 10: Asset divestments

Assets	Property address	Region	Purchaser	Divestment price (GBP)	Discount/ premium
John Street, Sunderland	60-66 John Street, Sunderland, SR1 1QT	North East	S2 John Street	500,000	0.0%
Openshaw, Jobcentre, Manchester	Jobcentre Plus, Cornwall Street, Manchester, M11 2WR	North West	Land and Securities	615,000	29.5%
Cardwell Place, Blackburn	33 Cardwell Place, Blackburn, Lancashire, BB2 1LG	North West	Leeds Road	600,000	20.0%
Leeds Road, Bradford	373 Leeds Road, Bradford, BD3 9LT	Yorkshire & Humber	Investments	895,000	29.7%
Crown House, Burton-on-Trent	New Street, Burton-on-Trent, DE14 3SL	Midlands	ALB Burton	750,000	-9.6%
Total				**3,360,000**	**12.2%**

Source: Company data

...and in advanced stages of to divest and reposition the remaining seven assets. Based on assessment of the seven vacant assets, management currently intends to dispose three of them and redevelop two into PBSA. The latter segment has been witnessing strong demand from tenants and investors in the UK amidst a post COVID-19 surge in demand for the education sector. Another two assets have been planned to be converted into BTR projects, which are also currently seeing huge shortages in supply. The redevelopment of student accommodation assets could be potentially undertaken jointly with Elite's sponsor Sunway RE Capital – which currently owns various PBSA assets in the UK – or a third-party operator. Similarly, the REIT could also jointly re-develop BTR projects with local developers, thereby monetising part of the assets and reducing capital requirements, as well as development risks.

- Working on the disposal of three assets and conversion of another four assets into BTR and PBSA
- Depending on final capex and project scope, we believe potential double-digit returns are feasible

In this regard, the REIT manager announced an expansion of its investment strategy in April to include living sector assets in its mandate. The living sector portfolio could include PBSA, BTR, senior living and social housing, and other government housing initiatives as a part of Elite's long-term vision. Management's strategy ahead for asset repositioning will be based on its "3R" strategy or Re-Let, Re-Cycle, and Re-Position (Figure 9). Based on this strategy, the REIT will evaluate each asset for the best ROI – this is based on the capital requirements for assets and potential returns that can be generated. Depending upon the projects' scope and extensiveness, we believe capex could be in the range of GBP5-20m per project, and potential returns from such developments could be in the double-digits.

Potential data centre (DC) redevelopment opportunities at Peel Park. Another potential uplift for Elite's net asset value (NAV) would be the potential opportunity to convert its vast Peel Park, Blackpool, site that is currently being used as DWP's back office. Due to the vast nature of the site, management is currently working on plans to carve out the unutilised portion of the site for a DC facility.

- Good upside potential from conversion of its largest asset into a large-scale DC facility by tapping into the unused vacant land at the site
- Plans to develop a hyperscale facility in the vacant site with the REIT working with authorities to double power available capacity to 120MVA

The site is ideally located and benefits from the CeltixConnect-2 submarine cable that was launched by Aqua Comms in Mar 2022, which connects Blackpool to Dublin – extending to Europe and the US through the latter's existing America-Europe Connect trans-Atlantic undersea network. In addition, the site is surrounded by renewable energy infrastructure. with a major offshore windfarm to be constructed ~25 miles from Blackpool that is expected to go operational in 2028.

Elite has received positive pre-application response for the project from the local authority in Blackpool and has 60MVA of power secured, which is enough for two co-location DCs. However, considering the latest artificial intelligence (AI) developments and the site's potential, management is currently assessing whether the power capacity can be doubled, by which the site would become ideal for large-scale hyperscaler needs. While such a redevelopment could need huge capex (c.GBP100-500m), Elite's plan is to be capital light and work with its sponsor, third-party operators, or credit-worthy operators to develop the site. We see good upside potential for such redevelopment plans, considering strong hyperscale demand in the market from AI advancements and, if successful, this project could be a significant monetisation exercise for the REIT that could substantially lower gearing.

Figure 11: Peel Park facility strategically located with submarine cable connectivity

Source: Company data

Strong sponsor and major shareholder commitment for its fund-raising efforts. Since listing, Elite has tapped into secondary markets twice to raise funds. The first placement was in 1Q21 for the acquisition of 58 UK government assets for GBP212.5m. A key highlight of this deal was that the acquisition was partly funded by issuing 131.4m units to vendors. The placement price of GBP0.68 per unit was a c.4% above the traded price and at a c.5% premium over its FY20 NAV. Post the transaction, PartnerRe – one of the leading global reinsurance firms (acquired by Covéa in 2022; see Appendix A) – raised its stake from 1% to 23%. It remains the REIT's largest shareholder.

- Major shareholder fully subscribed for first placement at a premium over NAV and share price

The most recent fundraising was via a preferential offering at the start of this year. A total of 103.3m preferential offering units were offered to existing unitholders at a ratio of 214 preferential offering units for every 1,000 existing units at an issue price of GBP0.27 per preferential offering unit. This was done to solidify Elite's capital structure, which had been impacted by asset devaluations from cap rate expansions. Both sponsors EPH and Sunway (Appendix A), and major shareholders showed their commitment to the REIT by fully subscribing for their allotted units. In addition, Sunway demonstrated further commitment to the REIT by underwriting for a maximum of c.GBP16.1m in preferential units. As a result, post this fundraising, sponsor Sunway nearly doubled its stake in Elite from 5.8% to 11.2%.

- Second preferential offering was majority underwritten by sponsor demonstrating its long-term commitment in the REIT

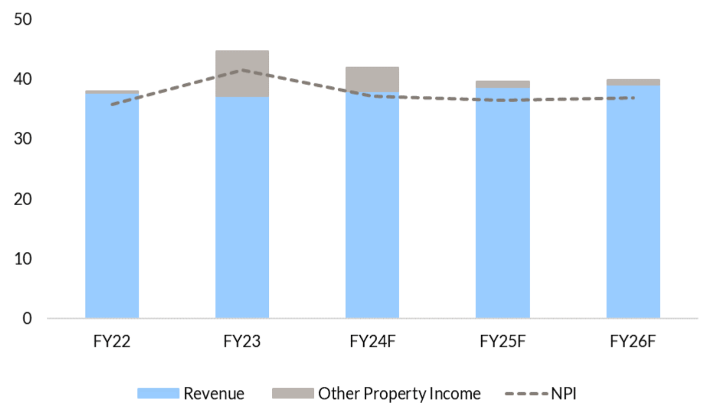
Financials

FY24F DPU decline mainly due to enlarged unit base. Revenue from assets are expected to relatively flattish YoY in FY24F, as the income loss from vacated assets are mostly offset by rent escalations that kicked in last year. We have assumed other property income of c.GBP3.5m for this year – mainly from collection of dilapidation income vs GBP7.6m last year – and is expected to taper off in subsequent years.

Opex significantly rose last year by c.3x to GBP3.8m. This was mainly due to the higher holding costs of assets that were vacated by DWP. As the leases were earlier on a triple-net basis, the operational costs of assets were fully borne by the tenant – these have been assumed by Elite post the exit of such tenants. Operational costs are expected to remain elevated at an estimated GBP3.6m in FY24, as the REIT is still finalising the dilapidation settlements, after which the assets are expected to be sold or repositioned into PBSA or BTR assets. Hence, we expect operating costs to decline significantly over the next two years, as asset sales materialise.

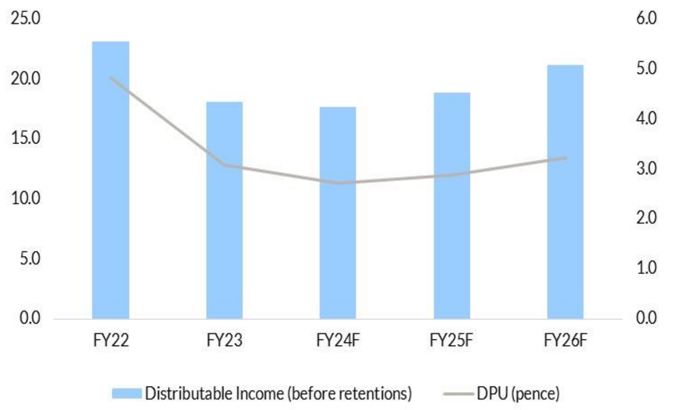
The REIT has two assets with leases expiring this year. Management expects one of them to see the leases being renewed at higher rent while the other ought to be renewed on a short-term basis.

Figure 12: Revenue and NPI forecasts (GBPm)



Source: RHB, Company data

Figure 13: Distributable incomes and DPUs

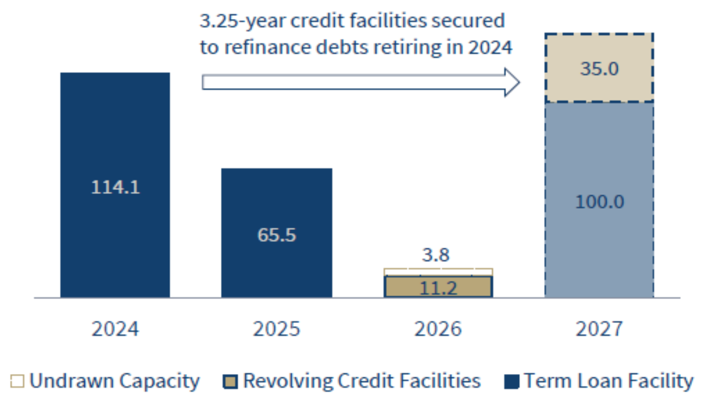


Source: RHB, Company data

Secured a 3.25-year facility for loans maturing in 2024. On 15 Jul, the REIT entered into a facilities agreement in relation to a 39-month term and revolving facilities of up to GBP135m from a group of financial institutions. We understand the new loans carry a 100bps margin spreads over the Sterling Overnight Index Average or SONIA, which translates into 6-6.25% in interest costs. 64% of its loans are currently fixed or hedged.

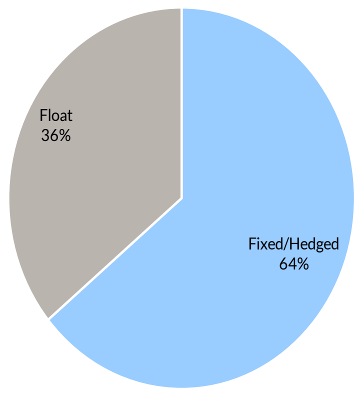
For the new loans, the REIT plans to hedge half of it at an appropriate time, post which we expect effective interest to be at the c.5.5-6% range. Elite has also received offers for a 3-month extension, plus additional 3- or 6-month extension options for its loan maturing in Jan 2025. This provides a cushion for the timing of refinancing and could prove advantageous, especially with a falling interest rate outlook. Overall, we have conservatively assumed c.6% all-in financing costs for FY24 and expect this to fall to 5.7% net year. Elite's DPU is highly sensitive to borrowing costs, with every 100bps increase in overall interest rate impacting its DPU by c.12% and vice versa, based on the latest company data.

Figure 14: Debt maturity profile



Source: RHB, Company data

Figure 15: Debt hedges – total GBP191m as of 1Q24



Source: RHB, Company data

Gearing to be maintained at c.40% range. Post the planned divestment of assets, management plans to maintain gearing at c.40% levels, with any future redevelopments or acquisitions possibly involving third-party capital or potential equity raising, and also be accretive to unitholders. With the interest coverage ratio expected to be stay above 2.5x, Elite has a gearing limit of up to 50% based on Monetary Authority of Singapore's threshold, which we believe offers sufficient headroom. Hence, we do not expect any concerns around potential gearing breaches in the near term.

Minimal capex needs over the next four years. As a part of a lease re-gearing exercise completed last year, the REIT is committed to a sustainability capex of c.GBP15m for sustainability upgrades across various assets, with tenants committed to similar amounts. These have been largely spent across assets for FY24-26, we expect minimal additional capex needs and have pencilled in GBP3m pa (less than 1% of book value).

Assuming 100% of fees paid fully in cash. The REIT has switched to payments of property management and REIT management fees to be fully paid in cash to minimise long-term dilution, with share prices trading below book value. We have also assumed the same in our forecasts. This is a slightly conservative approach when compared to large cap S-REITs, which use a combination of fee payments in cash and units. It also leaves headroom for Elite to manage and smoothen DPUs in future, should it choose to distribute parts in cash and units.

Half-yearly dividend distribution frequency. The REIT currently declares and distributes dividends to unitholders on a semi-annual basis.

Technical listing of UK entity offering tax benefits. The technical listing of the UK entity under Elite UK Commercial Holdings or ECHL on TISE – effective Aug 2021 – has reduced the applicable headline tax rate from 19% to 15%, pursuant to the double taxation treaty between the UK and Singapore, and protects it from future tax rises. The effective tax rate for the REIT is currently at c.12%. In addition, any unrealised gains on future corporate acquisitions upon entry is expected to be eliminated.

A key advantage of overseas S-REITs that derive income from overseas assets – Elite included – is that final dividends are tax-exempted for all types of unitholders. This is because foreign-sourced income by REITs are not subject to taxes under Singaporean regulations, which results in a substantial tax savings for institutional investors. Currently, such foreign-sourced income is tax-exempted until 2025 – this is to promote the listing of overseas-based REITs in Singapore. We do believe this could well be extended beyond 2025, given the current global environment.

Fee structure aligned with peers. Elite's base fee is pegged at 10% of its distributable income – largely aligned with comparable its overseas commercial REIT peers. Performance fees (25% of DPU growth) are aligned to deliver stable DPU returns and generate better shareholder value. The acquisition and divestment fees at 1% and 0.5% are broadly in line with that of its peers. Property management fees, on the other hand, are kept fixed at GBP235,600 pa, which we believe is reflective of the largely stable nature of government leases managed by the REIT, with a lease management fee of 1% of its total revenue.

Figure 16 : Peer comparison of overseas office REIT fee structures

	Property management fees	REIT management fees		Trustee fees	Acquisition fees	Divestment fees
		Base	Performance	% of property value	% of purchase price	% of sale price
IREIT Global	0.6% of gross revenue except for Concor Park - 2.1%	10% of distributable income	25% YoY DPU difference weighted average number of units	0.10% subject to minimum of SGD10,000 per month	1%	0.50%
Elite UK REIT	1% pa of revenue as lease management fee and a fixed property management fee of GBP235,600 pa	10% of distributable income	25% YoY DPU difference weighted average number of units	0.015% subject to minimum of SGD15,000 per month	1%	0.50%
Cromwell European REIT	0.67% pa of property value	0.23% pa of portfolio value	25% YoY DPU difference weighted average number of units	0.015% subject to minimum of SGD15,000 per month	1%	0.50%
Prime US REIT	0.85-3% of gross revenue of properties except for Village Centre Station II, which is fixed at USD2,750 per month	10% of annual distributable income	25% YoY DPU difference weighted average number of units	0.1% subject to minimum of SGD15,000 per month	1%	0.50%
Keppel Pacific Oak US REIT	1.5-3% of gross revenue	10% of distributable income	25% YoY DPU difference weighted average number. of units	0.015% subject to minimum of SGD14,000 per month	1% or lower	0.50%
Manulife US REIT	2.5% of gross income more than 300k sq ft of NLA and 3% for gross income with less than 300k sq ft of NLA	10% of distributable income	25% YoY DPU difference weighted average number of units	0.100%	0.75% for related parties, 1% for all others	0.50%

Source: Company data, RHB

Valuation

Initiating coverage with a BUY and TP of GBP0.31, which represents 33% total returns. Our 5-year DDM-based TP is derived with a cost of equity or COE of 10.8% (risk-free rate assumption of 3. based on the UK 10-year long-term bond yields) and terminal growth of 1.5%, which is based on the UK's long-term growth assumptions. Key to note would be that our DPU forecast also factors in c.7-8% non-renewal of leases upon expiry in Apr 2028, resulting in lower DPUs for FY28. Our DDM model is based on a 90% payout ratio for dividend distributions and presumes 100% of management fees being paid in cash. Hence, there is potential upside to DPU and TP valuation should the REIT pay out higher dividends and distribute part of fees in units.

ESG premium of 0%. This is based on our proprietary ESG metrics model derived ESG score of 3.1 out of 4.0. Elite scores highly on the social front, as its assets cater to an important social function in the UK economy – by increasing employment potential and helping people with disabilities. As the overall ESG score is in line with our country median, we have not applied any ESG premium or discount to our DDM-derived fair valuations.

Figure 17: DDM valuation table

	FY24F	FY25F	FY26F	FY27F	FY28F	Terminal value
DPU (GBP pence)	2.71	2.89	3.32	3.43	2.95	32.33
FV (GBP)	0.31					
ESG premium/(Disc) (GBP pence)	0.00					
TP (GBP)	0.31					
Current price (GBP)	0.255					
Price upside	22.4%					
Distribution yield (FY24F)	10.6%					
Total return	**33.0%**					
Assumptions						
Risk-free rate: (%)	3.0					
Beta	1.0					
Market risk premium (%)	7.75					
Cost of equity (%)	10.8					
Terminal growth: (%)	1.5					

Source: RHB

TP sensitivity to COE and terminal growth assumptions. Our sensitivity shows that every 50bps change in COE will result in c.+/-4% change to TP, while every 50bps change in terminal growth assumption will result in a c.+/- 3% change to TP.

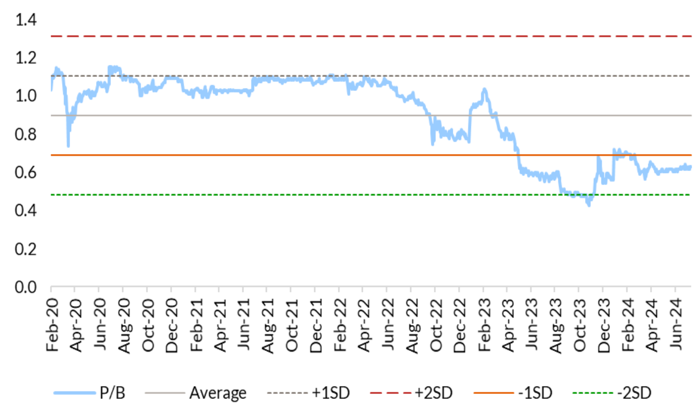
Figure 18: Sensitivity to terminal growth vs COE assumptions

Terminal growth/COE	9.8%	10.3%	10.8%	11.3%	11.8%	12.3%
0.0%	0.31	0.29	0.28	0.27	0.25	0.24
0.5%	0.32	0.30	0.29	0.27	0.26	0.25
1.0%	0.33	0.31	0.30	0.28	0.27	0.26
1.50%	0.34	0.32	0.31	0.29	0.28	0.26
2.00%	0.36	0.34	0.32	0.30	0.29	0.27

Source: RHB

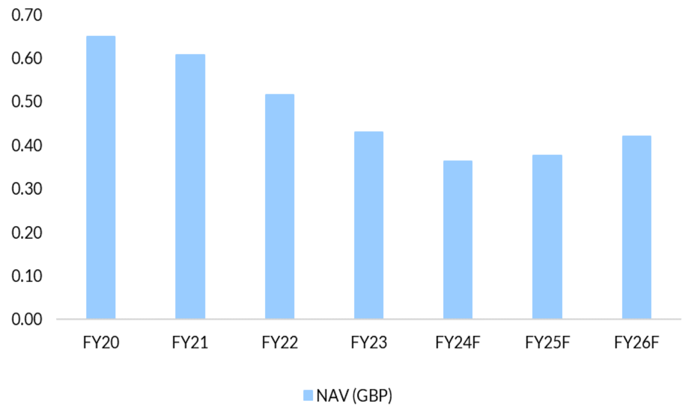
Trading at below -1SD P/BV level since listing. This is even after accounting for a c.30% decline in book value over the last two years on the back of the higher interest rate environment, which resulted in a c.150-300bps cap rate expansion across its portfolio. Based on current book value, Elite's assets are trading at yields of c.6.5-11%. We expect asset values to likely bottom out by 1H24. With increased political stability, a moderating inflation outlook, and expectation of rate cuts, we believe the REIT's portfolio value could increase by 5-10% over the next few years – to post a slight decline this year – which could result in a similar NAV uplift. Our TP implies a conservative 0.8x FY25F P/BV.

Figure 19: Historical P/BV chart



Source: Bloomberg, RHB

Figure 20: Elite's historical and forecasted NAV (GBP)



Source: RHB, Company data

Offering attractive yield spread of c.7% over the UK 10-year Gilt Bond yield with minimal downside risks to its dividend yield over the next four years – this is as less than 2% of leases will be expiring until then. By comparison, overseas S-REITs are trading at an average c.8% yield, while the S-REIT sector is trading at 6%. (Figure 21). Elite's closest peer, IREIT Global (IREIT SP, BUY, TP: SGD0.40), which has an office/retail portfolio predominantly focused on Western Europe, is trading at c.7% yield. UK-listed REIT peers in comparison are trading at average c.8% yields and c.30% discount to book value (Figure 22).

Figure 21: S-REITs comparison table

	Mkt cap (USDm)	3M-ADVT (USD '000)	Last price (LCY)	1D (%)	5D (%)	1M (%)	3M (%)	6M (%)	12M (%)	YTD (%)	vs 52W-low (%)	vs 52W-high (%)	P/B (x)	Div yield (FY-1)	Div yield (FY-2)	Yield Spread (%)	DPU Freq	Gearing/ simple ave	WALE (years)	% FY-1	% FY-2
REITs (37)	**67,155**	**164,998**		**(0.9)**	**(0.9)**	**5.0**	**6.2**	**(3.9)**	**(7.7)**	**(8.4)**	**14.5**	**(13.2)**	**0.9**	**6.1**	**6.3**	**3.1**		**38.6%**	**4.5**		
Overseas (14)	**5,172**	**5,803**		**(0.6)**	**1.3**	**5.7**	**5.3**	**(7.9)**	**(10.4)**	**(11.9)**	**28.2**	**(20.9)**	**0.6**	**7.6**	**8.7**	**4.5**		**41.0%**	**3.9**		
ARA US Hospitality Trust	168	587	0.29	0.0	(1.7)	5.5	5.5	0.0	(14.7)	(4.9)	26.1	(20.5)	0.4	12.1	12.4	7.9	Q	41.5%	N.A	N.A	N.A
Daiwa House Logistics Trust	293	300	0.57	0.9	1.8	0.0	(2.6)	(11.7)	(7.4)	(13.7)	13.0	(16.9)	0.7	9.0	9.0	2.1	S	35.2%	5.9	23%	16%
Digital Core REIT	822	1,477	0.63	(1.6)	(1.6)	12.5	8.6	(0.8)	26.0	(2.3)	44.8	(6.7)	0.9	5.6	5.7	1.4	S	35.1%	2.8	26%	33%
Prime US REIT	208	64	0.16	(4.8)	23.3	37.1	43.2	(10.8)	(7.9)	(27.1)	101.0	(34.0)	0.3	0.0	18.9	-4.2	S	48.1%	4.2	10%	18%
CapitaLand China Trust	875	1,651	0.69	(0.7)	(2.1)	3.0	1.5	(18.8)	(33.7)	(25.8)	5.3	(34.3)	0.6	9.7	10.0	7.5	S	40.8%	1.8	25%	13%
Lippo Malls Indonesia Retail Trust	109	35	0.02	(5.0)	(13.6)	46.2	58.3	26.7	5.6	11.8	72.7	(20.8)	0.3	N.M	N.M	N.M	Q	43.7%	2.2	35%	20%
Manulife US REIT	142	195	0.08	0.0	11.1	17.6	21.2	17.6	(31.0)	0.0	100.0	(41.6)	0.2	0.0	0.0	-4.2	S	56.7%	4.3	16%	13%
IREIT Global	300	84	0.30	0.0	0.0	(4.8)	(9.1)	(25.9)	(31.0)	(25.9)	11.1	(31.8)	0.5	6.7	6.7	4.2	S	37.0%	4.9	24%	2%
BHG Retail REIT	168	3	0.44	8.8	3.6	(7.4)	(10.3)	(8.4)	(7.4)	(6.5)	33.8	(13.9)	0.6	N.M	N.M	N.M	S	39.9%	3.3	48%	17%
Keppel Pacific Oak US REIT	178	417	0.17	(2.3)	14.1	22.3	27.8	(48.5)	(45.2)	(54.7)	39.3	(55.8)	0.2	0.0	0.0	-4.2	S	43.0%	3.8	8%	18%
Sasseur REIT	621	350	0.67	(1.5)	(1.5)	0.8	0.8	1.5	(7.6)	(2.2)	9.8	(8.2)	0.8	9.6	10.0	7.3	Q	25.2%	1.1	50%	35%
Cromwell European REIT	845	488	1.38	0.0	0.7	(4.8)	(4.2)	(2.1)	(12.7)	(2.8)	23.2	(14.8)	0.7	10.9	10.9	8.4	S	41.3%	4.8	11%	13%
Elite UK REIT	194	31	0.26	(1.9)	4.1	4.1	8.5	(3.8)	(10.7)	(8.9)	26.3	(26.0)	0.6	10.6	12.9	6.5	S	43.7%	4	2%	0%
United Hampshire REIT	251	119	0.43	1.2	3.6	8.9	4.9	(17.3)	1.2	(14.9)	24.6	(18.9)	0.58	10.5	11.2	6.3	S	42.2%	7.9	1%	4%

Note: Prices as at 19 Jul 24
Source: Bloomberg

Figure 22: UK-listed REIT peers

REIT name	BBG Ticker	Market cap (USDm)	3M-ave volume ('000)	Last price (LCY)	1D	5D	1M	3M	6M	12M	YTD	vs 52W-low	vs 52W-high	P/B (x)	Div yield
Average		**765**	**2,689**		**(0.5)**	**0.1**	**2.9**	**1.4**	**(8.4)**	**(17.6)**	**(16.3)**	**24.1**	**(22.8)**	**0.7**	**7.8**
AEW UK REIT PLC	AEWU LN Equity	184	312	90.0	0.0	0.3	2.4	9.4	(4.5)	(8.7)	(10.9)	11.1	(13.6)	0.9	N.M
Assura PLC	AGR LN Equity	1620	6591	41.9	(0.6)	(1.2)	7.0	2.1	(5.8)	(14.1)	(13.0)	7.5	(16.4)	0.8	5.4
Primary Health Properties PLC	PHP LN Equity	1640	2793	95.0	(1.1)	(1.4)	4.6	3.4	(0.1)	(4.3)	(8.5)	12.6	(12.9)	0.9	5.8
Regional REIT Ltd	RGL LN Equity	91	3013	13.7	0.0	4.9	1.6	(0.2)	(27.3)	(54.6)	(38.4)	69.5	(55.4)	0.4	12.2
Triple Point Social Housing Reit PLC	SOHO LN Equity	287	739	56.4	(0.9)	(1.9)	(1.1)	(7.4)	(4.6)	(6.0)	(10.8)	20.0	(15.7)	N.M	7.7

Note: Prices as at 19 Jul 24
Source: Bloomberg

Key Risks

Rebound in inflation and interest rates – medium

Inflation levels in the UK are moderating faster, with price in June rising 2% YoY – hitting the Bank of England's target. This augurs well for rate cuts in the near-term. However, an unexpected uptick or resurgence in inflation from geopolitical tensions and higher commodity prices could result in higher interest rates for a longer period. This will have an impact on Elite's asset valuations as well as financing costs, hence negatively affecting its NAV and DPU.

Delay in selling or repositioning vacant assets – medium

Our base case assumption is that the REIT will complete the sale of vacant assets and commence its repositioning on some of the assets by early 2025. A failure to execute the disposal/repositioning strategy could lead to higher holding costs on these assets and squeeze net property income or NPI margins, resulting in lower DPUs.

Non-renewal of majority of government leases in 2028 – low to medium

Our current assumption is that more than 90% of the UK government leases expiring in 2028 are likely to be renewed for another 10 years. The unlikely event of the UK Government vacating more buildings or consolidating operations elsewhere could have a sharp negative impact on DPUs. Every 5ppts non-renewal could reduce DPUs by c.10% or more.

Redevelopment risks – low to medium

Our base case assumption is that the REIT will undertake minimal redevelopment from its own balance sheet with a sponsor or third-party bearing significant development risks and returns. In the case of REIT undertaking significant asset redevelopments on it own could add to the potential asset development risks – such as higher costs and other expenses, which could result in investor demanding for higher yields.

Regulatory changes on repositioning of assets – low

We expect Elite to reposition or redevelop some of its existing assets into PBSA, BTR, or DC assets. Any policy or regulatory changes by the UK Government or local authorities – which could hamper or disallow repositioning of such conversions – could have an impact on asset value and overall returns. However, such drastic policy responses are low in our view considering no clear historic precedence, as well as the current shortage of housing and accommodation units in the market.

Higher taxation – low

There has been ongoing international collaboration in taxation matters to stamp out harmful practices and combat tax avoidance by multinational enterprises (MNE). The G20 has tasked the Organisation for Economic Co-operation & Development or OECD to study and deal with the issue of base erosion and profit shifting (BEPS) by MNEs. The recently implemented BEPS 2.0 sets a minimum effective tax rate of 15% for affected MNE groups via the Global Anti-Base Erosion or GloBE model rules. ELITE currently pays an effective tax of c.12% based on its current REIT structure. While its technical UK listing shields somewhat from higher taxes, there is still a possibility that this could rise to the mid-teens in the medium term – potentially having a slight negative impact on DPUs.

Natural disasters from climate change – low

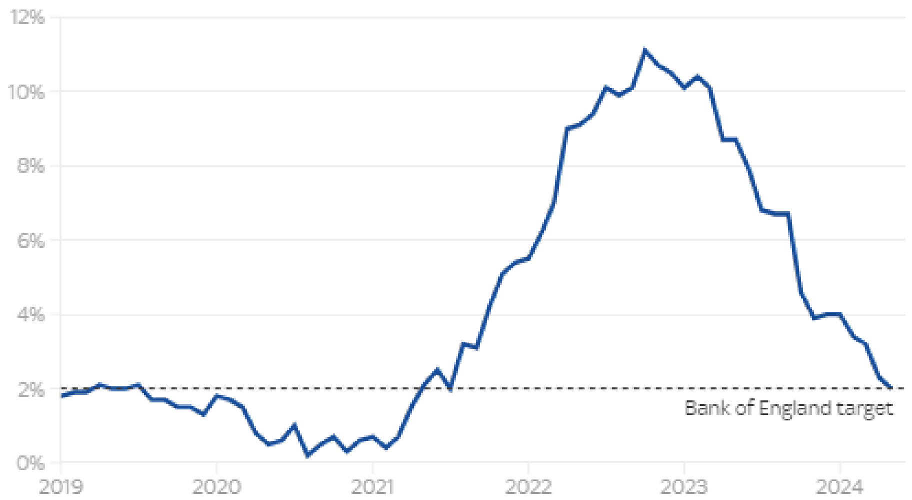
Although its properties are covered by insurance, Elite might not fully recover losses of property income due to natural calamities, eg climate change-related disasters such as floods, extreme heat/cold, etc.

Market And Industry Outlook

Inflation eases towards the central bank's target, prompting expectations of rate cuts. Inflation in the UK rose 2% MoM in June – the same as for May – after rising to double-digit levels in 2022. This was slightly above economists' expectation of 1.9% for June, according to Reuters, and was primarily attributed to higher services inflation – eg restaurants and hotels – which has been partly attributed to the increased number of concerts, including those of US pop star Taylor Swift. The Bank of England base rate has remained unchanged at 5.25% since Mar 2023. However, market sentiment has shifted towards rate cuts, with two members voting to cut rates during the most recent meeting in June.

According to Global Commercial Real Estate Services' (CBRE) economic outlook, the labour market remained solid but has recently weakened slightly, with the latest data showing unemployment rising to 4.4%, coupled with a fall in notified job vacancies. In addition, the number of people economically inactive due to long-term illness has increased by 750,000 since end 2019. This has contributed to the overall labour force being virtually static since then and potentially exacerbated upwards pressure on wages. The indexation of the National Minimum Wage has contributed to nominal wage inflation remaining above long-term average levels at 5.6% (including bonuses), while the feed-through of these costs has contributed to the stickiness of core inflation.

Figure 23: UK monthly inflation chart

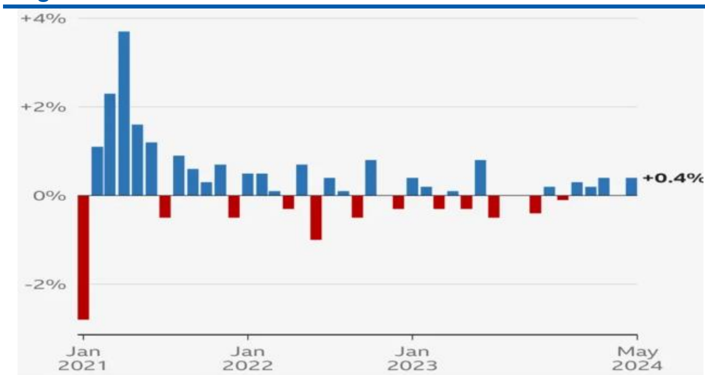


Source: Office for National Statistics UK

UK economy grew faster than expected in May with an expansion of 0.4% MoM, rebounding from 0% growth in April. This growth was aided by the construction and services sectors, which grew 1.9% and 0.3% MoM. Construction grew at the fastest rate in almost a year in May, with house building and infrastructure projects boosting the industry, according to the Office for National Statistics (ONS). In the three months to May 2024, the economy grew 0.9% compared with the previous three months, which ONS said was the quickest pace for more than two years.

This comes on the back of a good 1Q24, which saw the UK's GDP increasing 0.7% QoQ following two successive quarters of contractions. Its 1Q24 GDP is also 1.8% above its pre-pandemic levels (4Q19). Based on OECD and International Monetary Fund or IMF forecasts, the UK's GDP is expected to grow 0.4-0.5% in 2024 and 1-1.5% in 2025.

Figure 24: Historical P/BV chart



Source: BBC, Office for National Statistics UK

Figure 25: GDP Growth

	% change on previous quarter				% change on a year ago			
	Q2 23	Q3 23	Q4 23	Q1 24	Q2 23	Q3 23	Q4 23	Q1 24
UK	0.0	-0.1	-0.3	0.7	0.2	0.2	-0.2	0.3
Eurozone	0.1	0.0	-0.1	0.3	0.6	0.2	0.2	0.4
USA	0.5	1.2	0.8	0.3	2.4	2.9	3.1	2.9
Japan	1.0	-0.9	0.1	-0.5	2.2	1.5	1.2	-0.3
Germany	-0.1	0.1	-0.5	0.2	0.2	-0.1	-0.2	-0.2
France	0.7	0.1	0.3	0.2	1.4	0.9	1.2	1.3
G7	0.4	0.5	0.4	0.2	1.7	1.8	1.9	1.6
OECD	0.5	0.4	0.3	0.4	1.7	1.7	1.7	1.7

Source: Organisation for Economic Co-operation & Development, Office for National Statistics

Recent changes to Permitted Development Rights (PDRs) could accelerate redevelopment potential of vacant assets into living sector assets for Elite. Planning permission from the local planning authority (LPA) is usually needed to undertake development, that is, to carry out building operations and/or to materially change the use of a building or land. PDRs allow individuals and developers to make certain changes to buildings or land without the need to apply or obtain planning permission from an LPA. PDRs are granted by Parliament and set out in law.

To address the current housing shortages in the UK and reduce the bureaucratic burdens of the planning system, various changes for PDRs were recently announced. In Mar 2024, significant changes to existing PDRs came into force; particularly removing two key qualifications under Class MA, which allows the change of use from Class E (commercial, business, and service uses) to Class C3 (residential use). This will significantly increase the number of sites that will now be able to benefit from this permitted development right, in our view.

Class MA was introduced in 2021 and permits the change of use of buildings from commercial to residential, subject to prior approval from an LPA and provided it complied with various restrictions. Two further restrictions were that the building in question was subject to a 1,500sq m maximum floorspace limit for the change of use and, secondly, the building must have been vacant for a continuous period of at least three months immediately prior to the date of an application for prior approval. The changes remove both these requirements, which means Class MA will now apply to in-use buildings and with no floor space limit.

Return of the Labour Party could speed up redevelopments and industrial project developments According to leading UK-based law firm Ropes & Gray (R&G), the Labour Party had, in its manifesto, pledged to reform the planning regime and slash red tape to make major projects faster and cheaper in several key areas. A welcome focus is on removing planning barriers to the development of new DCs.

Labour Party to speed up planning process for developments in DCs and infrastructure sectors. The UK's existing planning frameworks are silent on the DC sector, meaning the planning process can be arduously slow and lacking in clarity. The Labour Party has also promised to increase resources and update the national planning policy to make it easier to build laboratories, digital infrastructure, and gigafactories throughout the UK. These commitments are expected to reduce planning uncertainties and generate further investments in these trending sectors.

Commitment to build 1.5m new homes. The Labour Party has created an air of optimism for developers through its pledge to "get Britain building again", the potential for "new towns", and promise to prioritise building on brownfield sites, whilst also releasing grey belt land within the green belt areas where necessary. Coupled with the new government's commitment to build 1.5m new homes, R&G expects the years ahead to provide ample investment opportunities for those looking to deploy capital in new projects and urban regeneration.

Investment activity expected to pick up. CBRE expects investment activities will increase gradually as more investors seek to reposition portfolios and deploy capital to take advantage of the rebasing of real estate prices. The latter expects loan originations to increase further. While industrial logistics, data centres, and the living sectors are favoured, there is debt available in all sectors for high-quality assets with strong sponsors.

Elite UK REIT – Postcards From The Site Visit

Figure 26: Wilmslow Job Centre

Source: RHB

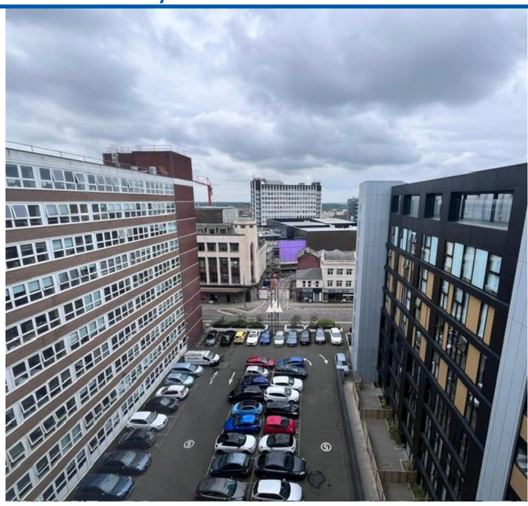
Figure 27: Peel Park Campus – additional site area

Source: RHB

Figure 28: Blackburn Road, Burnley

Source: RHB

Figure 29: Preston-Duchy House and Palatine House

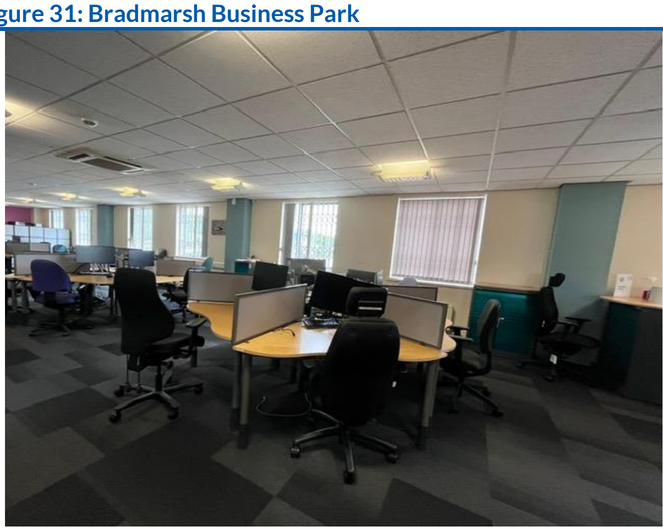


Source: RHB

Figure 30: Blackburn Road, Burnley guest area lobby

Source: RHB

Figure 31: Bradmarsh Business Park



Source: RHB

Figure 32: Bradmarsh Business Park

Source: RHB

Figure 33: Castle House, Huddersfield

Source: RHB

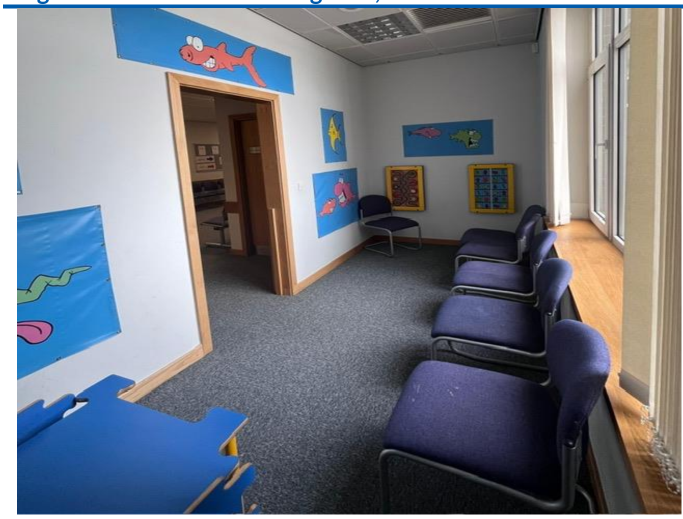
Figure 34: Peel Park Campus

Source: RHB

Figure 35: Allen Court – Sunway PBSA

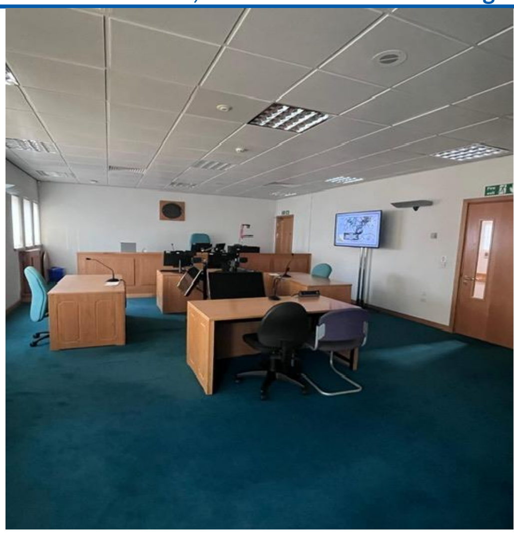
Source: RHB

Figure 36: Children's waiting area, Phoenix House



Source: RHB

Figure 37: Phoenix House, Bradford – tribunal hearing room



Source: RHB

Key Management And Board Members

Figure 38: Board of directors and key management team

Management name	Designation	Responsibilities and background
Joshua Liaw	Chief Executive Office	Joshua Liaw was appointed CEO in Jun 2023. He has close to two decades of experience in real estate finance and fund management across the banking and REIT management sectors. Prior to his present appointment, Liaw was Executive General Manager, Finance at the manager of Lendlease Global Commercial REIT (Lendlease REIT), where he led Lendlease REIT's investment and capital management strategy as the Chief Financial Officer. His other past roles with Lendlease include General Manager, Finance, Singapore. Liaw started his career in banking, where he held various roles in Standard Chartered Bank and Citi covering real estate funds, sovereign wealth funds, REITs and corporate developer clients.
Michael Tong	Chief Financial Officer	Michael Tong was appointed the CFO in Nov 2023. Tong has more than 10 years of experience in financial reporting, financial planning and analysis, project finance, consolidation, taxation, and compliance. Prior to joining Elite, he was employed with Lendlease and was the General Manager Finance, Asia. Prior to joining Lendlease, he was from PwC, where he was involved in the audit of Singapore-listed corporations and multinational companies across various industries, including real estate and initial public offerings.
Jonathan Edmunds	Chief Investment Officer	Jonathan Edmunds has about 20 years of experience in the real estate industry, focusing on real estate investment and management across various sectors globally. Previously, he was the Investment and Asset Management Director of Elite UK Commercial Fund. Preceding that, Edmunds was the Director of the Real Estate department of AEP Investment Management, where he was responsible for the strategic investment and transaction management for its UK, Australia, and Singapore mandates. He was the Vice President of the Real Estate department in Beaumont Partners, where he was responsible for fund raising, acquisitions, structuring, reporting, and managing the Global Student Housing and Multi-Family investment strategy. Prior to that, Edmunds served as the Director of the Real Estate department of WW Advisors.
David Lim Teck Leong	Chairman and Independent Non-Executive Director	David Lim is the founder and Managing Partner of David Lim & Partners LLP and has been the Managing Partner since 1990. Lim began his career at Rodyk & Davidson (now known as Dentons Rodyk & Davidson LLP) with a focus in commercial litigation, corporate finance, restructuring, and mergers and acquisitions up till 1989. He was also the Chairman and Non-Executive Director of Croesus Retail Asset Management. He was also appointed by the Monetary Authority of Singapore to be a Member of the Corporate Governance Council from 2017 to 2018.
Tan Huay Lim	Independent Non-executive Director	Tan Huay Lim has over 40 years of experience in audit, accounting, and finance. He served as a partner at KPMG LLP Singapore. Tan has extensive experience in auditing companies in a wide range of industries. He was a banking partner involved in the audit of financial institutions and was involved in a number of IPOs as well as merger and acquisition transactions during his tenure with KPMG. Tan was the Singapore Head of KPMG Global China Practice from Sep 2010 to Sep 2015.
Koo Tsai Kee	Independent Non-executive Director	Koo Tsai Kee is currently the Advisory Director of Temasek International Advisors. He joined Temasek International in 2011 as a managing director, specialising in strategic relations, and subsequently moved to Temasek International Advisors. in 2016. He is also a Non-Executive Director of Temasek Foundation and Temasek Foundation IPC. Before joining Temasek, Koo served in various ministries of the Singapore Government, with his last appointment as the Minister of State for Defence.
Nicholas David Ashmore	Independent Non-executive Director	Major General (Retired) Nicholas Ashmore founded Ratho Consulting, which specialises in providing management consultancy services in the business strategy, defence, and property and infrastructure sectors. He served in the British Army for more than 30 years, leaving in 2017 with the rank of Major General. He was also responsible for UK Defence Estate strategy and a member of the UK Defence Infrastructure Board and the UK Government Construction Board.
Yezdi Phiroz Chinoy	Independent Non-executive Director	Yezdi Chinoy was recently with Assicurazioni Generali, one of the largest global insurance and asset management groups, as its Regional Chief Investment Officer for Asia from 2015-2022. Chinoy was also the Chief Executive Officer of Generali Investments Asia, a role he held concurrently between 2014 and 2018. He also provided leadership as a director on the Board of Directors of several Generali Group Companies and joint ventures in China, Hong Kong, and Singapore.
Tan Hai Peng Michael	Non-Independent Non-executive director	Tan Hai Peng Michael has extensive experience in management and business development in the real estate sector. He is currently the Executive Chairman of EPC, where he provides leadership in forging strategic business relationships and broadening business outreach, as well as offering advice and guidance to the senior management. He is also an Executive Director of Ho Lee Group and is responsible for the general and strategic management of the group. He previously served on the Board of two SGX-ST-listed companies.
Victor Song Chern Chean	Non-Independent Non-executive director	Victor Song has wide-ranging experience across the entire real estate investment value chain in leasing, asset management and advisory, build-to-suit activities, acquisitions, investment, and divestment. He is one of the founding shareholders of Elite Partner Holdings (EPH) and the Managing Director of Elite Partners Capital (EPC). He is one of the founding members of two REITs – Viva Industrial Trust and Elite REIT. Song also formulated investment strategies and executed investment transactions as part of the investment team at SGX-ST-listed Cambridge Industrial Trust (also now known as ESR-LOGOS REIT).
Tan Dah Ching	Non-Independent Non-executive director	Tan Dah Ching was Head of Capital Markets for EPC. Tan has about 20 years of experience in corporate finance. From 2008 to 2013, he was a Business Development Manager at Swissco Holdings, where he oversaw the corporate finance activities. Prior to that, he was an Investment Manager at Kim Seng Holdings and an Associate at Genesis Capital.
Sarena Cheah Yean Tih	Non-Independent Non-executive director	Sarena Cheah started her career with the Sunway Group since 1995 and served under various roles in the Corporate Finance, Internal Audit, and Business Development departments. She is a member of the Board of Sunway, Sunway REIT Management, and Elite Commercial REIT Management. She is also a member of the National Committee of Real Estate and Housing Developers Association Malaysia (REHDA) and a Trustee of Yayasan Raja Muda Selangor (YRMS). She was previously a director on the Board of Institute of Corporate Directors Malaysia as well as Bank of America (Malaysia).
Evan Cheah Yean shin	Non-Independent Non-executive director	Evan Cheah has over a decade of experience in general management, investments and technology across businesses within Sunway Group. He is currently the Group CEO for Digital and Strategic Investments in the leading Malaysian conglomerate with multi-industry interests from property to healthcare, hospitality, manufacturing, retail mall, and fund management.
Tan Kok Heng	Alternate Director to Evan Cheah Yean shin	Dr Tan Kok Heng is currently the CEO of Sunway RE Capital, the real estate investment management arm of Sunway Berhad. Dr Tan is a member of the Singapore Institute of Directors and sits on its Nomination and Remuneration Chapter as a committee member.

Source: Company data

Appendix A – Sponsor And Substantial Unitholder Details

Elite is backed by two key sponsors – Elite Partner Holding (EPH) and Sunway RE Capital – and substantial unitholders Ho Lee Group Trust (Ho Lee) and Partner Reinsurance (PartnerRe) who collectively own 43% of the REIT. Details:

EPH is the holding company for Elite Partners Group, an alternative investment and asset manager specialising in niche opportunities and underserved markets. It is headquartered in Singapore, with offices in London, Prague, and Luxembourg. The group seeks to create sustainable, long-term value for its investors through its holistic ecosystem of business capabilities – private equity fund management, REIT management, and asset and facilities management. To date, EPH has managed assets in excess of SGD2bn across seven countries, a 420% increase from where it started in 2017. It owns a 1.1% stake in Elite.

Sunway RE Capital is a wholly owned subsidiary of Sunway, one of Malaysia's largest conglomerates with businesses in property development, property investments and REITs, construction, healthcare, hospitality, leisure, quarry, building materials, and trading and manufacturing. It currently owns an 11.2% stake in the REIT.

Sunway RE Capital represents Sunway's latest real estate investment & fund management platform that embraces traditional and alternative investment strategies. The platform is established with a primary strategy to sponsor private real estate funds while taking an active stake in the fund manager.

Besides being the sponsor of the REIT, Sunway RE Capital established and sponsored Sunway Residence Trust II (SRT II), a private trust in Singapore, with the principal investment objective of investing principally in PBSA assets located in Russell Group Universities cities in the UK. SRT II currently has a portfolio of 828 beds across five PBSA assets. Sunway RE Capital also takes up the mantle of fund manager to SRT II via its wholly owned subsidiary Sunway RE Capital Advisors (Singapore).

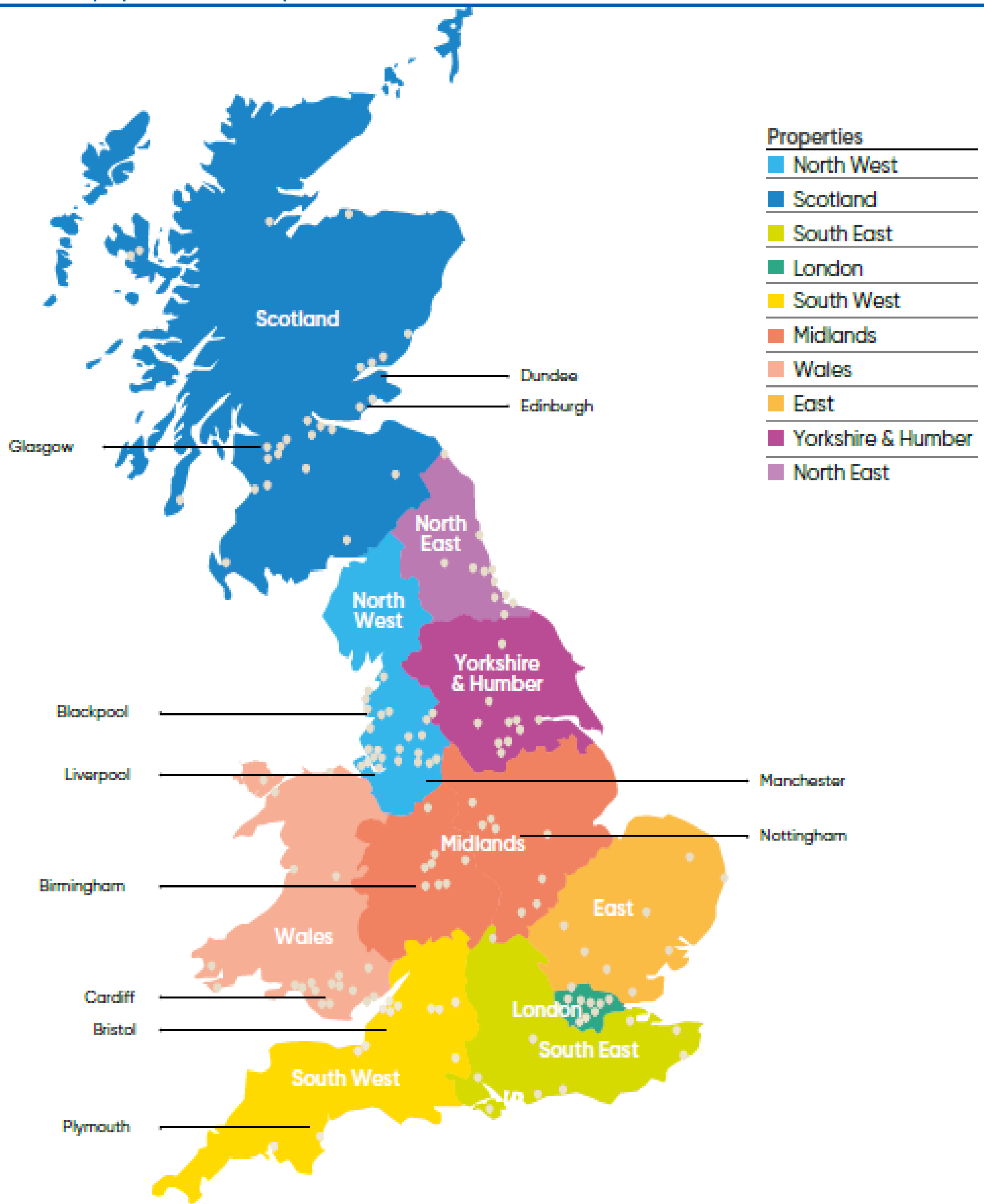
Ho Lee. The growth of Singapore from the early 70's to the early 90's saw the expansion of Ho Lee's business from a single entity dealing with general plumbing works to one that carries out various construction-related businesses. This is from general building construction to specialised metal works, formwork fabrication, and sales and rental of construction machines and equipment. These various companies were grouped together in 1996 and saw its incorporation. Since then, Ho Lee has gone on to acquire Wee Poh Construction – a civil engineering construction company – in 2005.

Ho Lee also ventured into the development of industrial and residential properties – either individually or with business partners – and has developed projects like the built-to-suit Mauser Factory, The Watercolour executive condominium, and The Heron Bay executive condominium. The group was also one of the major sponsors of Viva Industrial Trust during its initial public offering and listing on the SGX-ST in Nov 2013. Ho Lee owns 7.6% stake in Elite.

PartnerRe is an international reinsurer and a market leader with over USD10bn in total capital with a reputation of financial stability and strength. It has also a commitment towards rebuilding businesses and communities after risk events around the world. Since Jul 2022, PartnerRe is privately owned by Covéa, France's leading property and liability insurer, and the 10th largest reinsurer worldwide. Covéa is a European leader in insurance and reinsurance, and is present across the entire risk chain. It currently owns a c.22.6% stake in the REIT.

Appendix B – Property Location Map

Figure 39: Portfolio properties location map



Source: Company data

Appendix C – Portfolio Assets

Figure 40: Assets by region, tenant and valuation

Asset name	Region	Tenant/office use	Valuation as at Dec 2023 (GBP)
Beaufort House, Harlow	East	DWP Jobcentre Plus	5,840,000
Blackburn House, Norwich	East	Others	880,000
Crown Buildings, Colchester	East	DWP Jobcentre Plus	2,760,000
Great Oaks House, Basildon	East	DWP Back Office	7,140,000
Rishton House, Lowestoft	East	DWP Jobcentre Plus	1,460,000
St Andrew's House, Bury St Edmunds	East	DWP Jobcentre Plus	2,500,000
The Forum, Stevenage	East	DWP Jobcentre Plus	3,680,000
Wyvern House, Bedford	East	DWP Jobcentre Plus	2,450,000
Broadway House, Ealing	London	DWP Jobcentre Plus	7,380,000
Collyer Court, Peckham	London	DWP Jobcentre Plus	6,170,000
Crown House, Romford	London	DWP Jobcentre Plus	8,700,000
Finchley Lane, Hendon	London	DWP Jobcentre Plus	4,500,000
High Road, Ilford	London	DWP Jobcentre Plus	5,830,000
Kilner House, Canning Town	London	DWP Jobcentre Plus	4,620,000
Medina Road, Finsbury Park	London	DWP Jobcentre Plus	5,180,000
Oates House, Stratford	London	DWP Jobcentre Plus	6,600,000
Peckham High Street	London	DWP Jobcentre Plus	6,580,000
Raydean House, Barnet	London	DWP Jobcentre Plus	7,140,000
Acacia Walk, Nottingham	Midlands	DWP Jobcentre Plus	730,000
Beecroft Road, Cannock	Midlands	DWP Jobcentre Plus	1,160,000
Bristol Road South, Birmingham	Midlands	DWP Jobcentre Plus	3,230,000
Crown Buildings, Ilkeston	Midlands	DWP Jobcentre Plus	1,280,000
Crown House, Grantham	Midlands	DWP Jobcentre Plus	1,350,000
George Street, Corby	Midlands	DWP Jobcentre Plus	980,000
High Street, Bilston	Midlands	DWP Jobcentre Plus	1,350,000
Holborn House, Derby	Midlands	DWP Back Office	4,790,000
Lothersdale House, Wellingborough	Midlands	DWP Jobcentre Plus	2,010,000
Saxon Mill Lane,Tamworth	Midlands	DWP Jobcentre Plus	1,180,000
Scotland House, Stourbridge	Midlands	DWP Jobcentre Plus	1,430,000
St Katherine's House, Northampton	Midlands	HM Courts and Tribunals Service	2,070,000
Tannery House, Alfreton	Midlands	DWP Jobcentre Plus	1,020,000
Temple House, Wolverhampton	Midlands	DWP Jobcentre Plus	2,785,000
Upper Huntbach Street, Stoke-On-Trent	Midlands	DWP Jobcentre Plus	2,110,000
Washwood Heath Road, Birmingham	Midlands	DWP Jobcentre Plus	830,000
Broadway House, Houghton Le Spring	North East	DWP Jobcentre Plus	1,320,000
Crown Buildings, Chester Le Street	North East	DWP Jobcentre Plus	640,000
Hadrian House, Eston	North East	DWP Jobcentre Plus	1,450,000
Hatfield House, Peterlee	North East	DWP Jobcentre Plus	980,000
Norham House, Berwick Upon Tweed	North East	DWP Jobcentre Plus	370,000
Portland House, Redcar	North East	DWP Jobcentre Plus	650,000
Reiverdale House, Ashington	North East	DWP Jobcentre Plus	940,000
St Andrew's House, Hexham	North East	DWP Jobcentre Plus	2,270,000
St John's Square, Seaham	North East	DWP Jobcentre Plus	560,000
Theatre Buildings, Billingham	North East	DWP Jobcentre Plus	530,000
Ward Jackson House, Hartlepool	North East	DWP Jobcentre Plus	1,940,000
Beech House, Hyde	North West	DWP Jobcentre Plus	2,680,000
Blackburn Road, Burnley	North West	DWP Back Office	5,275,000
Brunswick House, Birkenhead	North West	DWP Jobcentre Plus	1,870,000
Chantry House, Chester	North West	DWP Jobcentre Plus	4,890,000
Units 1-2 Dallas Court, Salford (lease expiry June 2024)	North West	Home Offuce	1,070,000

Source: Company data

Figure 41: Assets by region, tenant and valuation – continued

Asset name	Region	Tenant/office use	Valuation as at Dec 2023 (GBP)
Duchy House, Preston	North West	DWP Back Office	2,940,000
Great Moor Street, Bolton	North West	DWP Jobcentre Plus	1,190,000
Great Western House, Birkenhead	North West	DWP Back Office	7,950,000
Heron House, Stockport	North West	DWP Jobcentre Plus	3,700,000
Hilden House, Warrington	North West	Vacant	2,800,000
Hougoumont House, Liverpool	North West	DWP Jobcentre Plus	1,330,000
Lee-Moran House, Burnley	North West	DWP Jobcentre Plus	1,970,000
Mitre House, Lancaster	North West	DWP Jobcentre Plus	5,080,000
Palatine House, Preston	North West	DWP Back Office	2,490,000
Peel Park, Blackpool	North West	DWP Back Office	24,180,000
Premier House, Liverpool	North West	DWP Jobcentre Plus	680,000
Roskell House, Fleetwood	North West	DWP Jobcentre Plus	480,000
Roydale House, Leigh	North West	DWP Jobcentre Plus	1,560,000
Silver Street, Bury	North West	DWP Jobcentre Plus	1,000,000
Speke Road, Liverpool	North West	DWP Jobcentre Plus	630,000
Springfield House, Liverpool	North West	DWP Jobcentre Plus	1,150,000
St Martin's House, Bootle	North West	DWP Back Office	4,650,000
Tomlinson House, Blackpool Norcross Lane	North West	Ministry of Defence	9,100,000
Wilmslow Road, Manchester	North West	DWP Jobcentre Plus	3,300,000
Atlas Road, Glasgow	Scotland	DWP Jobcentre Plus	2,250,000
Bayfield Road, Portree	Scotland	DWP Jobcentre Plus	240,000
Bowling Green Street, Bellshill	Scotland	DWP Jobcentre Plus	2,540,000
Castlestead House, Montrose	Scotland	DWP Jobcentre Plus	390,000
Claverhouse Industrial Park, Dundee	Scotland	DWP Back Office	2,825,000
Coustonholm Road, Glasgow	Scotland	DWP Jobcentre Plus	3,500,000
Crown Building, Kilmarnock	Scotland	DWP Jobcentre Plus	3,150,000
Discovery House, Stornoway	Scotland	DWP Jobcentre Plus	890,000
Flemington House, Motherwell	Scotland	DWP Jobcentre Plus	2,510,000
Glasgow Benefits Centre, Glasgow	Scotland	DWP Back Office	23,200,000
Hall Street, Campbeltown	Scotland	DWP Jobcentre Plus	670,000
Heron House, Falkirk	Scotland	DWP Jobcentre Plus	2,450,000
High Street, Dingwall	Scotland	DWP Jobcentre Plus	350,000
Irish Street, Dumfries	Scotland	DWP Jobcentre Plus	1,100,000
Ladywell House, Edinburgh	Scotland	Ladywell Medical Centre	4,300,000
Lindsay House, Dundee	Scotland	Vacant	1,280,000
New Reiver House, Galashiels	Scotland	DWP Jobcentre Plus	2,310,000
Parklands, Falkirk	Scotland	DWP Back Office	6,370,000
Pollokshaws Road, Glasgow	Scotland	DWP Jobcentre Plus	1,590,000
Sidlaw House, Dundee	Scotland	Vacant	1,350,000
South Muirhead Road, Glasgow	Scotland	DWP Jobcentre Plus	840,000
St John Street, Stranraer	Scotland	DWP Jobcentre Plus	600,000
Trinity Road, Elgin	Scotland	DWP Jobcentre Plus	1,500,000
Victoria Road, Kirkcaldy	Scotland	Vacant	520,000
Waggon Road, Leven	Scotland	DWP Jobcentre Plus	280,000
Wallacetoun House, Ayr	Scotland	DWP Jobcentre Plus	2,700,000
Whitburn Road, Bathgate	Scotland	DWP Jobcentre Plus	1,670,000
Broadlands House, Newport	South East	DWP Jobcentre Plus	4,700,000
Crown Building, Banbury	South East	DWP Jobcentre Plus	3,280,000
Crown Buildings, Tonbridge	South East	DWP Jobcentre Plus	2,260,000
Crown House, Chatham	South East	DWP Jobcentre Plus	5,170,000

Source: Company data, RHB

Figure 42: Assets by region, tenant and valuation – continued

Asset name	Region	Tenant/Office Use	Valuation as at Dec 2023 (GBP)
Crown House, Worthing	South East	DWP Jobcentre Plus	3,610,000
East Street, Epsom	South East	DWP Jobcentre Plus	2,350,000
Gloucester House, Bognor Regis	South East	DWP Jobcentre Plus	2,510,000
Medwyn House, Lewes	South East	DWP Jobcentre Plus	4,320,000
Nutwood House, Canterbury	South East	DWP Jobcentre Plus	6,525,000
Palting House, Folkestone	South East	DWP Jobcentre Plus	3,580,000
South Western House, Aldershot	South East	DWP Jobcentre Plus	2,475,000
St Cross House, Southampton	South East	DWP Jobcentre Plus	5,470,000
Brendon House, Taunton	South West	DWP Jobcentre Plus	4,850,000
Cotswold House, Torquay	South West	DWP Others	2,560,000
Cyppa Court, Chippenham	South West	DWP Jobcentre Plus	1,860,000
Hanover House, Bridgwater	South West	DWP Jobcentre Plus	2,280,000
Kent Street, Bristol	South West	DWP Jobcentre Plus	1,050,000
Lodge House, Bristol	South West	DWP Back Office	4,660,000
Monks Park Avenue, Bristol	South West	DWP Jobcentre Plus	1,475,000
Queens House, Plymouth	South West	DWP Jobcentre Plus	1,250,000
Regent House, Weston Super Mare	South West	DWP Jobcentre Plus	2,630,000
Spring Gardens House, Swindon	South West	DWP Jobcentre Plus	8,050,000
St Paul's House, Chippenham	South West	Vacant	870,000
Summerlock House, Salisbury	South West	DWP Jobcentre Plus	2,060,000
Afon House, Newtown	Wales	DWP Jobcentre Plus	1,640,000
Bridge Street, Llangefni	Wales	DWP Jobcentre Plus	690,000
Charles Street, Newport	Wales	DWP Jobcentre Plus	1,950,000
Cleddau Bridge Business Park, Pembroke Dock	Wales	DWP Back Office	1,430,000
Crown Buildings, Aberdare	Wales	DWP Jobcentre Plus	990,000
Crown Buildings, Abertillery	Wales	DWP Jobcentre Plus	430,000
Crown Buildings, Bridgend	Wales	DWP Jobcentre Plus	4,020,000
Crown Buildings, Caerphilly	Wales	Vacant	530,000
Dock Street, Porthcawl	Wales	DWP Jobcentre Plus	340,000
Hannah Street, Porth	Wales	DWP Jobcentre Plus	730,000
High Street, Swansea	Wales	DWP Jobcentre Plus	2,110,000
Maengwyn Street, Machynlleth	Wales	DWP Jobcentre Plus	170,000
Newport Road, Cardiff (lease expiry Jun 2024)	Wales	Natural Resources Wales	3,530,000
Oldway House, Swansea	Wales	DWP Jobcentre Plus	1,130,000
Parc Menai, Bangor	Wales	DWP Back Office	3,590,000
Quay Street, Haverfordwest	Wales	DWP Jobcentre Plus	890,000
High Street, Rhyl	Wales	DWP Jobcentre Plus	790,000
Station Road, Port Talbot	Wales	DWP Jobcentre Plus	740,000
Thistle House, Tonypandy	Wales	DWP Jobcentre Plus	1,040,000
Windsor Road, Neath	Wales	DWP Jobcentre Plus	1,310,000
Bradmarsh Business Park, Rotherham	Yorkshire & Humber	Environment Agency	1,150,000
Bridge House, Castleford	Yorkshire & Humber	DWP Others	770,000
Castle House, Huddersfield	Yorkshire & Humber	DWP Jobcentre Plus	2,150,000
Centurion House, Castleford	Yorkshire & Humber	DWP Jobcentre Plus	860,000
Chantry House, Rotherham	Yorkshire & Humber	DWP Jobcentre Plus	1,330,000
Crown Buildings, Mexborough	Yorkshire & Humber	DWP Jobcentre Plus	690,000
Elder House, Northallerton	Yorkshire & Humber	DWP Jobcentre Plus	800,000
Low Hall, Pontefract	Yorkshire & Humber	DWP Jobcentre Plus	710,000
Mulberry House, Goole	Yorkshire & Humber	DWP Jobcentre Plus	460,000
Phoenix House, Bradford	Yorkshire & Humber	HM Courts and Tribunals Service	2,970,000
Total			**412,490,000**

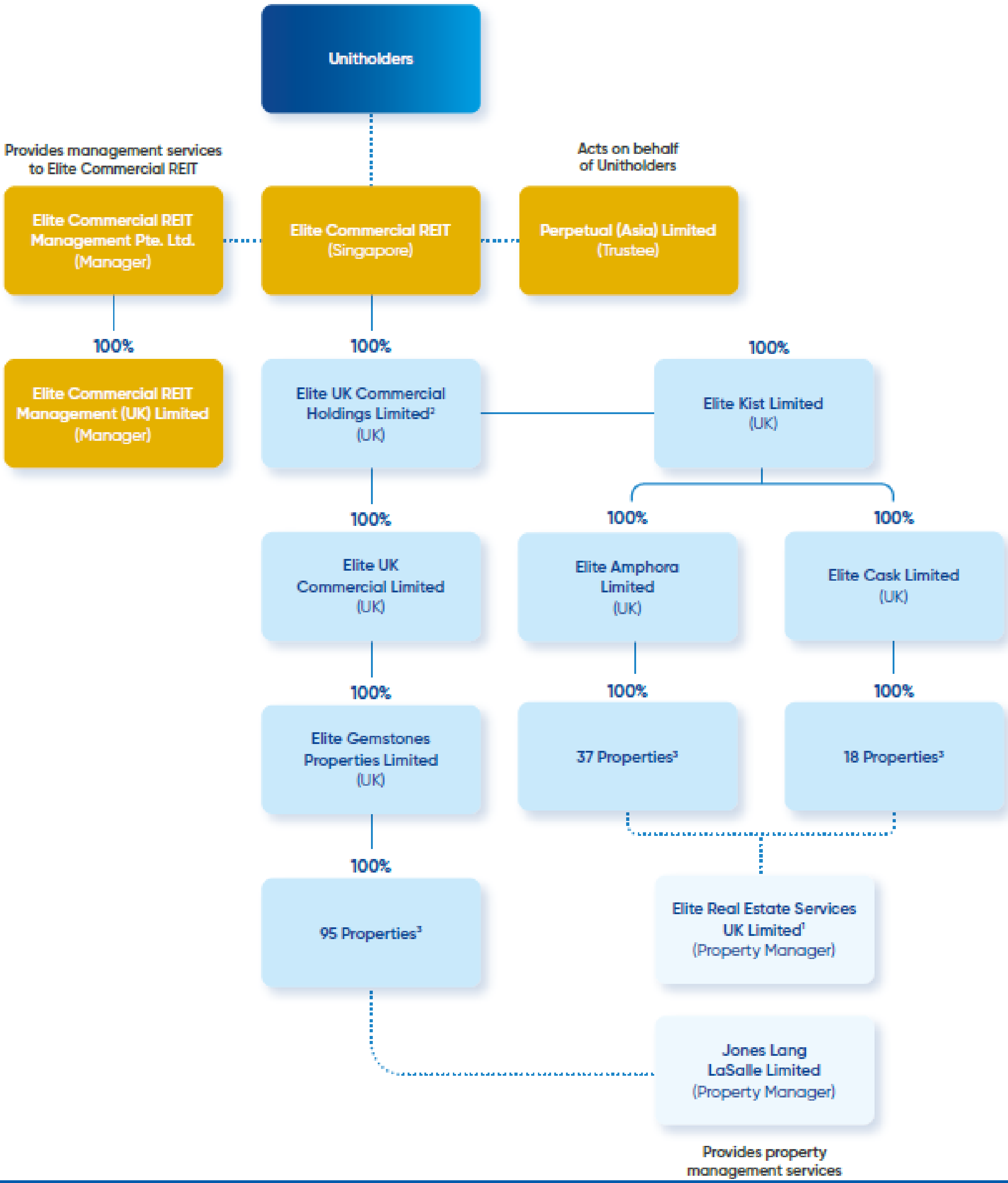
Source: Company data, RHB

Appendix D: REIT Background And Structure

Elite was listed on the Mainboard of the SGX in Feb 2020 under its former name, Elite Commercial REIT. The REIT was established with the investment strategy of principally investing – directly or indirectly – in commercial- and real estate-related assets in the UK. The name of the REIT was changed in May 2024 to better reflect the expanded investment strategy, ie the living sector, which includes PBSA and BTR residential assets.

REIT manager. Elite's management team is the manager of the REIT. It has general powers of management over the REIT's assets, and manages its assets and liabilities for the benefit of unitholders. The manager sets the strategic direction of the REIT and provides recommendations to its trustees on the acquisition, divestment, development, and/or enhancement of Elite's assets in accordance with its investment strategy. The manager provides a holistic range of services – these services are performed by both its Singapore and UK-based teams.

Figure 43: REIT structure*



*Note: *As at FY23*
Source: Company data

Emissions And ESG

Trend analysis

Total GHG emissions from DWP-occupied assets (136) reduced by 13% since 2021 which could be partly due to hybrid working trend. Energy consumption intensity was 12% YoY lower in 2023. Water consumption intensity too declined 16% YoY last year. There was also significant increase in recycling of water last year.

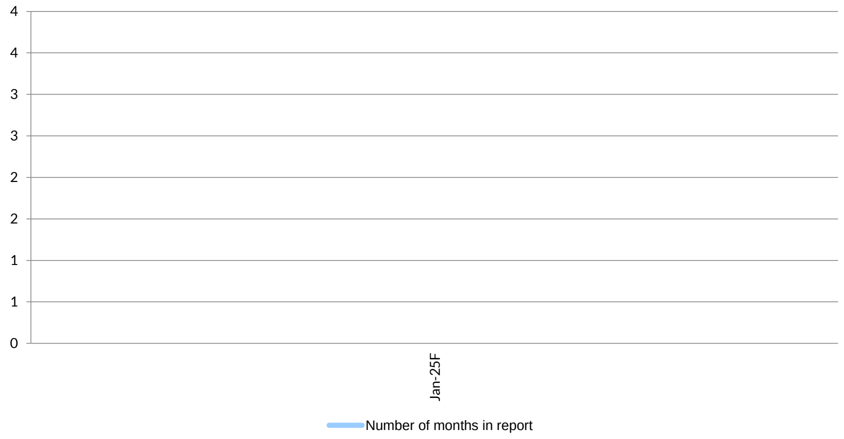
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	na	na	na
Scope 2	na	na	na
Scope 3	14,871	14,557	12,884
Total emissions	14,871	14,557	12,884

Source: Company data, RHB

Latest ESG-Related Developments

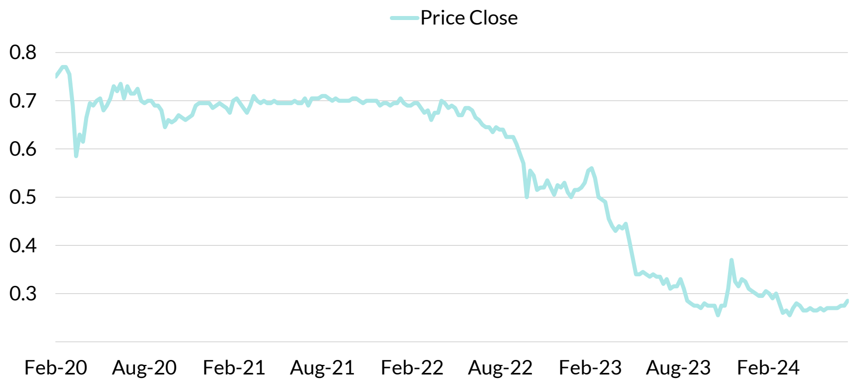
- Significant improvement in Global Real Estate Sustainability Benchmark (GRESB) scoring in 2023 Public Disclosure and Real estate assessment.
- Have set a target to achieve Energy Performance Rating (EPC) rating of or higher for all properties by 2030. Completed EPC upgrades for Unit 1-2 Dallas Court and Lindsay House.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-07-23			

Source: RHB, Bloomberg

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