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Cromwell European REIT's Pivot towards Logistics Sector Accelerates in 1Q 2021 with Strategic Acquisitions in Two New Markets

- Portfolio of 11 modern logistics assets in the Czech Republic and Slovakia acquired for €113.2 million at a net operating income ("**NOI**") yield of 6.7%, 2.1% below valuation
- 94.6% portfolio occupancy rate, with notable leasing successes in light industrial / logistics sector, and with 59% of headline rent of leases subject to expiries and breaks up to 30 September 2021 de-risked
- 1Q 2021 net property income ("**NPI**") of €30.8 million is almost equal to 1Q 2020, the last pre-COVID-19 quarter in Europe
- Positive operating cash flow of €23.5 million – higher than the 1Q 2021 distributable income of €21.7 million
- 38.5% aggregate leverage[1], interest coverage ratio of 6.0 times[2], low interest cost of 1.72% and long weighted average debt expiry profile of 4.0 years

	1Q 2021	1Q 2020	Variance
Gross Revenue (€'000)	48,450	48,506	(0.1%)
Net Property Income (€'000)	30,836	30,956	(0.4%)
Income Available for Distribution to Unitholders (€'000)	21,744	23,256	(6.5%)

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the "**Manager**") of Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**"), today announced CEREIT's financial and operational updates for the first quarter ended 31 March 2021 ("**1Q 2021**").

CEREIT recorded 1Q 2021 gross revenue and NPI of €48.5 million and €30.8 million, respectively, almost equal to the prior corresponding period of 2020 ("**1Q 2020**"), when the Eurozone economy was not yet affected by the COVID-19 pandemic. Prolonged COVID-19 lockdowns in most of CEREIT's countries of operations impacted 1Q 2021 gross revenue and NPI, notably reducing carpark income in the mixed-use Central Plaza in Rotterdam, the Netherlands and resulting in some vacancy in certain light industrial / logistics assets in France and Denmark. The disposal of 12 higher-yielding and higher-risk assets in the Netherlands, France and Denmark also affected gross revenue, though this was partially offset by new income from recently completed acquisitions in Italy, Germany, the Czech Republic and Slovakia.

Pursuant to the Agenzia del Demanio (Italian State Property Office) master lease agreement, a 15% rent reduction in three Italian office assets and two Italian properties in the 'Others' sector came into effect in 1Q 2021.

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "Since CEREIT's listing, the Manager has been working to diversify CEREIT's sector exposure, geographical footprint and tenant-customer base, as demonstrated most recently by the €113.2 million modern logistics acquisitions in the attractive new markets of the Czech Republic and Slovakia. We are pleased that our efforts have significantly reduced CEREIT's exposure to any single country and tenant-customer, thus mitigating to a certain extent the expected impact on income from the legislated 15% rent reduction at some of our Italian assets, coming into effect gradually from this year. As such, Agenzia del Demanio (Italian State Property Office) now represents only 12.1% of CEREIT's rent roll as at 31 March 2021, down from 19.9% in 2017."

Income available for distribution was €21.7 million in 1Q 2021, 6.5% lower year-on-year, due to the same factors affecting gross revenue and NPI. It was further impacted by €0.8 million of higher interest expenses from the €500 million longer-tenured bond issuances and certain one-off trust expenses of €0.4 million.

Distribution per unit ("**DPU**") for the quarter was €0.827 cents[3], 9.1% lower than 1Q 2020 due to the same factors impacting distributable income as well as the timing of the investment of the €100 million private placement proceeds to offset the additional weighted average units on issue in March 2021. Notably, €0.580 cents per unit for the period from 1 January 2021 to 4 March 2021 has already been paid out in the cumulative distribution to CEREIT unitholders on 31 March 2021, in relation to distributable income up to the date of the issue of new units pursuant to the private placement in March 2021.

Active Leasing Continues

CEREIT achieved portfolio occupancy of 94.6% as at 31 March 2021, on par with the 94.7% occupancy as at 31 March 2020, the prior corresponding period. The occupancy rate in 1Q 2021 marginally declined as compared to the 95.1% occupancy rate achieved as at 31 December 2020, mainly due to vacancies in office assets in France and Finland and the departure of an anchor tenant-customer (Nilfisk) which relocated its operations to Belgium from the Priorparken 700 / 800 asset in Copenhagen, Denmark.

During the quarter, the Manager secured 37 new leases and renewed 21 leases for 19,735 square metres ("**sqm**") and 13,428 sqm of space, respectively, collectively equivalent to 2% of CEREIT's portfolio[4]. Leasing activity continued across all countries despite COVID-19. The light industrial / logistics portfolio achieved +1.5% rent reversion rate. For the office portfolio, a focus on renewing existing leases to preserve income and occupancy resulted in a -1.0% rent reversion rate. Key leasing successes during the quarter include 6,100 sqm of light industrial / logistics space in Priorparken 700 leased to Ambrosia, Denmark's largest beverage distributor, for 6.5 years and a new lease spanning 2,200 sqm in the same asset. Together, the two leases will fill almost half of the 20,000 sqm vacancy caused by Nilfisk's departure. In France, CEREIT's on-the-ground asset management team built on its positive leasing momentum, signing new leases and renewals for 6,965 sqm of light industrial / logistics space.

Mr. Garing added: "While the Manager remains committed to the office sector for CEREIT, leasing demand for office assets has been subdued by economic weakness and lockdown measures and achieving positive rent reversions remains a challenge. This validates the Manager's current pivot towards increasing exposure to the light industrial / logistics sector, where market fundamentals are healthy, with a combination of low supply and robust occupier demand. The Manager has proactively leased current vacancies and renewed expiries ahead of time, having successfully de-risked[5] 59% of headline rent of leases subject to expiries and breaks up to 30 September 2021."

COVID-19 Impact

Since the start of the COVID-19 pandemic in March 2020, the financial impact from rent reductions without any lease renewals amounts to only €264,000. Prolonged lockdown extensions to combat a third resurgent wave of COVID-19 infections in various European markets have also resulted in a recent increase in rent re-profiling requests for the first time since October 2020. The Manager maintains a close watch and actively engages with CEREIT's tenant-customers, especially the small and medium-sized enterprises ("**SMEs**"), so as to identify their business risks early and allay occupancy risks. At present, CEREIT only has an 8% exposure by net lettable area to SME tenant-customers.

Strategic Acquisitions in the Czech Republic and Slovakia

In line with its focus on light industrial / logistics sector, the Manager successfully completed the acquisition of 11 modern logistics assets in the Czech Republic and Slovakia. This further diversifies CEREIT's portfolio to two new attractive Central European markets that have high gross domestic product ("**GDP**") growth potential, as well as high credit quality. The portfolio of assets was acquired for €113.2 million, 2.1% below valuation and at a NOI yield of 6.7%, higher than the portfolio NOI yield of 6.2% prior to the acquisition.

As a result of the Manager's active efforts to build resilience and the local expertise of CEREIT sponsor's Cromwell Property Group[6] ("**Cromwell**") asset management teams, CEREIT's portfolio is now more resilient and well diversified across office (57%) and light industrial / logistics (38%) sectors, spanning nine countries and with more than 800 tenant-customers from a myriad of trade sectors. CEREIT's top 10 tenant-customers now account for 31.4% of the portfolio's total headline rent, as compared to 33.0% as at 31 December 2020.

Mr. Garing added: "We will look to further rebalance CEREIT's portfolio, increasing exposure to the logistics sector, including initial opportunities in a post-Brexit UK, while divesting a number of office and other non-strategic assets. Building further scale will help reduce unidentified tenant-customer event risks as the various governments' economic and social support programmes unfold. We will also continue to plan for key redevelopment value-add opportunities in Paris, Amsterdam and Milan. For instance, the Via Nervesa 21 asset enhancement in Milan, Italy is in a well-advanced planning stage. We are also progressing well on our ESG[7] commitments to obtain green building certifications for over 75% of the office portfolio this year."

Transformative Capital Management Initiatives

The Manager adopts a responsible approach towards capital management, strengthening CEREIT's cash position from €43.6 million as at end-2020 to €75.8 million as at 31 March 2021. CEREIT's operating cashflow remains strong with a positive cash flow of €23.5 million – higher than the 1Q 2021 distributable income.

As at 31 March 2021, CEREIT has a 38.5% aggregate leverage[1], which remains within the board-approved range of 35–40%, while its interest coverage ratio stands at 6.0 times[2]. Its annualised cost of debt remains low at approximately 1.72%, albeit slightly higher than the 1.66% rate as at 31 December 2020. This was mainly attributed to the higher interest expense on CEREIT's recently issued bonds due 2025, which extended CEREIT's weighted average debt expiry profile to 4.0 years.

Since 2020, the Manager has also completed several key capital management initiatives for the benefit of all unitholders.

The introduction of a distribution reinvestment plan was activated for CEREIT's distribution for the second half of 2020, providing unitholders with an option to increase their holdings in CEREIT at a preferential price and without incurring transaction costs.

In February 2021, the Manager completed a €100 million private placement in a challenging market during a rise in global interest rates. The final book was well-covered with a good mix of new and existing investors. Proceeds were used to partially fund €165.8 million of high-yielding logistics assets and resulted in close to €50 million of debt headroom for future acquisitions. Post placement, CEREIT's free-float[8] is now 72%, up from 69%, bringing CEREIT one step closer to inclusion in major indices.

To improve trading liquidity and reduce transaction costs for unitholders, the Manager also completed a 5:1 CEREIT unit consolidation in May 2021. The higher unit price denomination is expected to reduce the magnitude of CEREIT unit price fluctuations, bring about long-term trading costs savings relative to trading price and result in improvement in liquidity and investor demand. The Manager received more than 99% of unitholders' approval for the proposed 5:1 unit consolidation at the extraordinary general meeting held on 27 April 2021. The consolidated units commenced trading on 5 May 2021. The post-consolidation FY 2020[9] illustrative DPU is €17.42 cents (five times of the actual FY 2020[9] DPU of €3.484 cents). The post-consolidation March 2021 net asset value ("**NAV**") is €2.445 per unit (five times of the actual 1Q 2021 NAV of €48.9 cents per unit). With effect from 11 May 2021, CEREIT's units will have updated trading names and codes, in line with the Manager's announcement on 6 May 2021: € counter (CWBU) and S$ counter (CWCU). The changes to the trading names and trading codes do not affect the underlying nature of the consolidated units.

Outlook

With most of Europe still under tight restrictions during 1Q 2021, the GDP for the Eurozone economy is now expected to drop by 0.5% quarter-on-quarter, comparable to the prior period, based on data from Oxford Economics. European Union ("**EU**") flash GDP releases confirm a 0.6% decline for the same period. The short-term prospects for the euro area remain weak, with extended restrictions in several countries due to a renewed rise in COVID-19 infections and lockdowns that are expected to ease gradually into June.

Notwithstanding the above, current forecasts show expectations of green shoots in recovery for economic activity in the second quarter of 2021. These are set to grow more strongly in the third quarter of 2021 as vaccination roll-outs progress, restrictions ease and daily activities resume. Barring a further deterioration of the current COVID-19 situation, the Eurozone's 2021 GDP growth is projected at 4.1%[10], although GDP is not expected to return to pre-crisis levels until 2022. The long-term economic impact of the crisis will vary significantly from country to country, given the varying economic structures and different policies put in place.

Impact on the general Eurozone and real estate sector have trickled into the office sector. Average office vacancy rate across key European cities has risen to 8.3% in 1Q 2021, from 7.9% in the previous quarter, amid weak demand caused by economic headwinds and lockdowns. Occupiers looking to secure suitable office space for 2022 / 2023 are cautiously reviewing their leasing options in 2021, especially as larger companies look for space efficiencies to bring down costs amid a double-dip recession.

Meanwhile, in the light industrial / logistics segment, market fundamentals remain healthy, as the growth of e-commerce and online food delivery services drive down vacancy rates across Europe. Average vacancy rate for European light industrial / logistics fell to 4.5% in 1Q 2021, from 5.0% in the previous quarter. Looking forward, there will be higher demand for light industrial / logistics space, mostly fuelled by the continued structural shift towards e-commerce and demand for last-mile logistics, coming from the push towards the reconfiguration and de-risking of supply chains.

Mr. Garing concluded, “We are mindful that there will also be inevitable business casualties due to the lingering pandemic as European governments scale down the support provided to certain industries, but I remain confident that Cromwell’s on-the-ground teams are well-positioned to manage these risks. The long-term value proposition of European commercial real estate remains intact.”

“We will continue to steer CEREIT through the near-term headwinds with caution. We are committed to maintaining Fitch’s investment-grade credit rating, which enables CEREIT to further capitalise on the longer debt maturities available in the Euro bond markets. As the Manager of CEREIT, we remain dedicated to our focus on sustainability and good governance, which we believe supports the underlying long-term investment proposition for unitholders and will provide sustainable risk-adjusted returns.”

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ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European Real Estate Investment Trust (“**Cromwell European REIT**” or “**CEREIT**’) is a diversified pan-European real estate investment trust (“**REIT**”) with a principal mandate to invest, directly or indirectly, in income-producing real estate assets in Europe that are used primarily for office, light industrial / logistics and retail purposes. The investment strategy of CEREIT is focused on a long-term target portfolio of at least 75% or more within Western Europe and at least 75% or more in office and light industrial / logistics. CEREIT’s purpose is to provide unitholders with stable and growing distributions and net asset value per unit over the long term.

CEREIT’s portfolio comprises 107 properties with an appraised value of approximately €2,295 million as at the date of this announcement in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland, Denmark, the Czech Republic and Slovakia. CEREIT’s portfolio has an aggregate lettable area of approximately 1.7 million square metres, 800+ tenant-customers and a WALE profile of approximately 4.8 years as at 31 March 2021.

CEREIT is listed on the Singapore Exchange Limited and is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT’s sponsor, Cromwell Property Group[6], a real estate investor and manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

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1 Calculated as per the Property Funds Appendix ("**PFA**"). Leverage Ratio as per the Euro Medium-Term Note prospectus is 36.8%, defined as consolidated net borrowings (including capitalised finance leases and excluding cash and cash equivalents) divided by consolidated total assets
2 Calculated as per the PFA based on net income before tax, fair value changes and finance costs divided by interest expense and amortised establishment costs
3 DPU stated is pre 5:1 unit consolidation effective on 7 May 2021
4 By net lettable area
5 As of 31 March 2021
6 Cromwell Property Group is a stapled group comprising Cromwell Corporation Limited and Cromwell Diversified Property Trust (the responsible entity of which is Cromwell Property Securities Limited)
7 Refers to environmental, social and governance
8 As per definitions used by FTSE Russell for the calculation of "free-float restrictions" for the purpose of various FTSE-related indices, assuming that units held by unitholders with less than 10% unitholdings count to the free-float
9 Refers to the period from 1 January 2020 to 31 December 2020
10 According to Oxford Economics