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Cromwell European REIT Accelerates Pivot to Logistics with its First Freehold Acquisition in the United Kingdom

- Acquisition price of £10.0 million (approximately €11.7 million¹ or S\$18.8 million²)
- Attractive 5.6% net operating income (“**NOI**”) yield³, ~3% below independent valuation and 32% discount to replacement cost⁴
- The Asset is situated in a prime logistics location close to the major cities of Liverpool and Manchester, with good connectivity to major motorway networks, two airports and a deep-sea port
- The Asset is 100% let on a 10-year lease, with opportunity for rental growth and value enhancement



SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the “**Manager**”) of Cromwell European Real Estate Investment Trust (“**Cromwell European REIT**” or “**CEREIT**”), announced today that CEREIT, through an indirectly wholly-owned subsidiary, Europe 5 HoldCo S.à r.l., has entered into a sale and purchase agreement to acquire a freehold logistics asset (the “**Asset**” or the “**Acquisition**”) from a third-party vendor in the United Kingdom (the “**UK**”) and completed the Acquisition on the same day.

The Manager’s Chief Executive Officer, Mr. Simon Garing, commented, “I am delighted to announce CEREIT’s first acquisition in the UK – a freehold logistics property fully-let for a 10-year lease to a national

3PL⁵ tenant-customer in an excellent established UK logistics location. We've been studying the UK market for some time and actively looking for accretive opportunities for CEREIT to make our entry, so I am pleased that we, as the manager of CEREIT, are able to deliver on our stated strategy in 2021. The Acquisition further increases CEREIT's exposure to light industrial / logistics property to 39%, accelerating CEREIT's pivot towards logistics. We look forward to expanding our footprint in the UK, in line with the stated strategy. Cromwell Property Group's⁶ experienced local, on-the-ground team has once again proven their local asset management capabilities and was instrumental in securing this deal amidst the highly-competitive property market in the UK."

The Asset

The Asset is 100% occupied by Panther Warehousing Ltd, the UK's leading two-man B2C⁷ premium home delivery specialist, with a long-weighted average lease expiry ("**WALE**") profile of 10 years till May 2031.

A freehold single-story logistics building with 9,764 square metres ("**sqm**") of net lettable area and spanning a site area of 20,438 sqm, the Asset was originally constructed in 1980 and was recently refurbished this year ahead of the new lease. It has 86 parking spaces, dual-access loading with three dock-level and 14 floor-level loading doors and a manoeuvring area with 60 metres ("**m**") yard depth.

Floor	Lettable Area (sqm)
Warehouse with an eaves height of 7 m	6,100
Warehouse with an eaves height of 5 m	3,451
Ground floor office / amenities	213
Total	9,764

The long-term business plan includes adding value via lifting the lower ceiling span height of the older-style warehouse. Cromwell Property Group ("**Cromwell**") has previous similar experience, achieving substantial increase in market ERV (estimated rental value for valuation purposes) and valuation.

Situated within the excellent logistics location of Kingsland Grange Industrial Estate in Warrington, North West England, the Asset is well-positioned in an ideal distribution location for UK logistics and industrial occupiers. It is adjacent to two of the most important motorways in the UK – the M6, which provides direct access to Birmingham, the second-largest city in the UK, and to the north and south through the wider motorway network, as well as the M62 motorway which links Liverpool on the West Coast to the East Coast via Manchester.

Warrington is situated in the heart of the North West region and has convenient access to three major sea and air connections within 30 minutes – the Liverpool John Lennon Airport, Manchester Airport and the Port of Liverpool. In addition, Warrington is forecast to achieve a five-year gross domestic product average growth rate of 4.3% per annum⁸.

The Asset was independently valued by Savills Advisory Services Limited (as commissioned by the Manager and Perpetual (Asia) Limited in its capacity as trustee of CEREIT) using the income capitalisation method, at £10.3 million (approximately €12.1 million or S\$19.4 million).

CEREIT acquired the Asset for £10.0 million (approximately €11.7 million or S\$18.8 million) (the “**Purchase Consideration**”), reflecting a 3% discount to valuation and 32% discount to replacement cost. The Purchase Consideration was arrived at on a willing buyer and willing seller basis.

The total cost of the Acquisition is approximately £10.8 million (approximately S\$20.3 million), comprising the Purchase Consideration, the acquisition fee payable to the Manager in cash, as well as professional and other fees and expenses in connection with the Acquisition. The Acquisition is not expected to have any material effect on CEREIT’s net tangible assets.

Rationale and Benefits

Fully funded by cash, the Acquisition has an attractive NOI yield of 5.6%³ and is aligned with CEREIT’s stated purpose of delivering long-term distribution and net asset value per unit growth to unitholders.

Following this Acquisition, the weighting of the light industrial / logistics segment in CEREIT’s portfolio has increased to 39%, up from 38%. This is consistent with the Manager’s stated investment strategy to rebalance CEREIT’s portfolio towards a 50% exposure to quality light industrial / logistics assets. The Acquisition also marks CEREIT’s entry into the post-Brexit UK market, the region’s largest and most liquid real estate investment market. and further diversifies CEREIT’s portfolio geographical exposure

From a sustainability perspective, the Asset has a ‘C’ Energy Performance Certificate rating and is expected to achieve a “Good” BREEAM⁹ rating in the near term, with further upgrades envisaged in the long term.

UK Market Fundamentals

According to data by Oxford Economics, the UK’s GDP is forecast to grow by 7.3% this year and 6.7% in 2022. Meanwhile, industrial investment volumes in the North West totalled £934 million in 2020¹⁰, as investor demand continues to be largely driven by a buoyant occupational market tied to the accelerated consumer shift to online retail.

In Warrington, rental growth is further supported by limited vacant stock and a restricted development pipeline, especially for larger lot sizes. The COVID-19 pandemic accelerated the influx of e-commerce / logistics tenant-customers in the North West big box market, which has led to several high-profile occupiers taking up additional space in the region¹¹.

2020 was a record year for the North West region, with an all-time-high of over 5 million square feet (“sqft”) in take-up in logistics space. The strong take-up rate has continued through 2021 and to date, exceeded 3 million sqft¹² in space take up. At present, only 2 million sqft of supply¹² is under construction, out of a total market size of 78 million sqft in the North West region¹².

The UK is one of the most liquid real estate markets in the world and the largest logistics market in Europe by a fair margin – in 2020, the industrial and logistics assets transacted reached €11.4 billion, equivalent to 21% of Europe’s total transactions volume¹³. The strong fundamentals of the UK logistics market also provide stable cashflows, attractive running yields and income growth through active asset management. MSCI data¹⁴ shows that industrial total returns have exceeded all other sectors over the past three, five and 10-year periods. Fuelled by the strong supply and demand dynamic that has fostered positive rental growth, prime headline rents for logistics in the UK have increased by 2.2% and 4.3% for 2Q 2021 and the first half of 2021¹⁵, respectively. The logistics market in the UK is structurally evolving, with the continued rise of e-commerce and technological advancements which facilitate the smoother integration of efficiencies and environmental, social and governance goals into communities.

Other Information

Based on the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual, the Acquisition is a “Non-Disclosable Transaction” within the meaning of Rule 1008 of the Listing Manual.

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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 and 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 109¹⁶ properties with an appraised value of approximately €2,349 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, Slovakia and the United Kingdom. CEREIT's portfolio has an aggregate lettable area of approximately 1.7 million sqm, 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 Group⁶, a real estate investor and manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

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The value of the units issued by CEREIT (the “Units”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, Perpetual (Asia) Limited, in its capacity as trustee of CEREIT, the Cromwell Property Group as the sponsor of CEREIT or any of their respective affiliate.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of CEREIT. The forecast financial performance of CEREIT is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units in the United States or any other jurisdiction. The past performance of CEREIT and the Manager is not necessarily indicative of the future performance of CEREIT and the Manager.

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a registered office in a jurisdiction which is in the European Economic Area (“**EEA**”) or the UK, the Manager (as an alternative investment fund manager for the purposes of the AIFMD or the UK AIFM Regulations, as appropriate) intends to rely on such jurisdiction’s national private placement regime for the purposes of marketing alternative investment funds as implemented in such jurisdiction pursuant to Article 42 of the AIFMD, or pursuant to Article 59 of the UK AIFM Regulations, as appropriate. The Manager maintains a list, which is available on request, of the EEA jurisdictions in which it is permitted to market Interests to investors (the “**Permitted EEA Jurisdictions**”).

Applicants in Permitted EEA Jurisdictions or the UK who wish to invest in CEREIT must qualify as a “professional investor” under the AIFMD and the implementing national legislation in the investor’s Permitted EEA Jurisdiction or under the UK AIFM Regulations, as appropriate. Interests are not offered to investors who are domiciled in or with a registered office in the EEA but not in a Permitted EEA Jurisdiction. Interests are not offered to investors in a Permitted EEA Jurisdiction or the UK who are not professional investors. Neither CEREIT nor the Manager is subject to supervision by the competent authorities of the Permitted EEA Jurisdictions or the UK.

This announcement is distributed only to persons in relation to whom exemptions under the Financial Services and Markets Act (Financial Promotions) Order 2005 (as amended) of the UK (the “FPO”) apply including: (a) persons who are professional investors within the meaning of Article 19(5) of the FPO; (b) persons to whom Article 49(2) of the FPO (high net worth companies, unincorporated associations, etc) applies; (c) persons falling within the categories of “certified high net worth individual” described in Article 48(2) of the FPO (being individuals who have certified their net worth in the form and as required by the FPO) and “self-certified sophisticated investor” described in Article 50a(1) of the FPO (being individuals who have certified that they are a sophisticated investor, in the form and as required by the FPO); or (d) other persons to whom it may otherwise lawfully be offered or distributed.

The Units have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable laws. There will be no public offering of the securities referred to herein in the United States.

This announcement has not been reviewed by the Monetary Authority of Singapore.

1 Based on exchange rate of £1:€1.17

2 Based on exchange rate of €1:\$1.61

3 NOI yield is calculated as the annualised Day 1 net operating income pre-asset management fees divided by the purchase price excluding transaction costs

4 Based on independent reinstatement valuation from Paragon (£14.9 million)

5 Third-party logistics

- 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 Business to Consumer
- 8 Oxford Economics, 30 July 2021
- 9 Building Research Establishment Environment Assessment Method
- 10 Real Capital Analytics, 30 July 2021
- 11 Knight Frank, 2021
- 12 Savills Advisory Services Limited Valuation Report for the Asset
- 13 Real Capital Analytics – data as at 26 July 2021
- 14 UK Quarterly Digest (March 2021)
- 15 Gerald Eve's Prime Logistics Bulletin (2Q 2021)
- 16 Also including Parc de Popey as the divestment is announced but not yet completed