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Cromwell European REIT Posts Record Portfolio Occupancy and Strong Logistics Results in 3Q 2021

- Record level occupancy at 95.3% as at 30 September 2021, up from 94.3% a year ago
- Positive rent reversion at 1.2% (YTD 2021 reversion of +4.1%) and +2.8% NPI YTD 2021 like-for-like growth
- Exceptional market fundamentals backing the light industrial / logistics sector, validating pivot to the sector
- 12.83 Euro cents indicative DPU for 9 months YTD 2021, 2.1% higher year-on-year on a like-for-like basis[1]
- Fitch Ratings re-affirmed investment grade credit rating ('BBB- with stable outlook')

	3Q 2021	3Q 2020	Variance	YTD 2021	YTD 2020	Variance
Gross Revenue (€'000)	50,653	46,092	9.9%	149,672	139,752	7.1%
Net Property Income (€'000)	33,157	30,593	8.4%	97,444	88,314	10.3%
Income Available for Distribution to Unitholders (€'000)	24,272	22,549	7.6%	70,431	67,114	4.9%

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the "**Manager**") of Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**"), today provided a business update on CEREIT's financial and operational performance during the third quarter and the nine months ended 30 September 2021 ("**3Q 2021**" and "**YTD 2021**", respectively).

CEREIT posted an 8.4% year-on-year increase in net property income ("**NPI**") to €33.2 million in 3Q 2021, while YTD 2021 NPI saw a 10.3% year-on-year increase to €97.4 million. The lift in NPI was mainly due to the additional income from newly-acquired assets in the UK, the Czech Republic and Slovakia, positive uplift from the continued outperformance of light industrial / logistics properties in France, Germany and Denmark and a €0.8-million writeback in bad debt provisions made in the prior corresponding period.

On a like-for-like basis (excluding new acquisitions and disposals), YTD 2021 NPI was €2.4 million or 2.8% higher year-on-year, with the light industrial / logistics portfolio delivering an even higher +3.3% lift.

3Q 2021 income available for distribution to unitholders increased 7.6% to €24.3 million, compared to €22.5 million in the third quarter of 2020 ("**3Q 2020**"). YTD 2021 income available for distribution was €70.4 million, 4.9% higher compared to the prior corresponding period.

The indicative 3Q 2021 distribution per unit ("**DPU**") was 4.326 Euro cents, based on a 100% payout of distributable income and manager and property manager fees being paid fully in cash, 1.5% lower compared to 3Q 2020. Indicative YTD 2021 DPU was 12.828 Euro cents, 2.2% lower year-on-year. The decreases were mainly due to (i) a slight delay between financing and completing acquisitions funded by the private placement; (ii) higher average cash balance (earning zero rate); (iii) higher interest costs; and (iv) the absence of payment of capital gains where €2.8 million was paid out in 1H 2020 (equivalent to 0.55 Euro cents in 1H 2020 DPU).

On a like-for-like basis, indicative YTD 2021 DPU would be 2.1% higher year-on-year. This comparison excludes the €2.8 million of realised capital gains that were included in distributable income in the prior corresponding period.

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "CEREIT's performance reflects the resilience of the 1.7-million sqm portfolio of geographically diverse, quality assets. This is further supported by the post-COVID-19 lockdown rebound in European economic conditions, the Manager's active and effective asset management strategy and the accretive logistics acquisitions made. CEREIT has demonstrated a remarkable rise in portfolio occupancy, achieving the current record 95.3%, and maintained a track record of positive rent reversions, which facilitates stable rental income growth. As a result, the Manager is pleased to report +2.8% NPI YTD 2021 growth on a like-for-like basis.

"I am especially delighted with the 95.6% occupancy in CEREIT's light industrial / logistics sector, an increase of 3.3 percentage points within a year. This effectively means that most countries in CEREIT's light industrial / logistics portfolio are at or close to 100% occupancy, further validating the Manager's strategic pivot to logistics for CEREIT."

Active Asset and Portfolio Management

On the back of improved occupancy of its light industrial / logistics assets, CEREIT reached a record overall portfolio occupancy of 95.3%, up a full percentage point ("**p.p.**") as compared to 94.3% as at 30 September 2020. All in all, the Manager signed 29 new leases and 18 renewals spanning 45,532 sqm. 3Q 2021 rent reversion was positive +1.2% across the portfolio, while 41.8% of income expiries over the next six months have been de-risked by asset management initiatives. Occupancy was largely boosted by strong leasing in the light industrial / logistics portfolio in Denmark. CEREIT's weighted average lease expiry ("**WALE**")[2] profile as at 30 September 2021 remained unchanged at 4.7 years, compared to that as at 30 June 2021.

In the light industrial / logistics sector, occupancy was 95.6% as at 30 September 2021, up 3.3 p.p. as compared to 92.3% a year ago. Tenant-customer retention rate for the sector also improved across all countries in 3Q 2021 as compared to YTD 2021. These trends reflect strong tenant-customer demand from third-party logistics players, e-commerce and a shift to “just-in-case” inventory management by manufacturers requiring additional warehouse space, as a response to supply-side disruptions.

The increase in light industrial / logistics occupancy rate is also the result of 34,918 sqm in new leases and renewals in 3Q 2021, with the majority (~65%) of the vacancies over the next six months already de-risked. Key leasing successes include a new lease for 5,495 sqm that was signed with two tenant-customers in Priorparken 800, Denmark, which doubled the asset’s occupancy rate from 36% to 74%. In Germany, the Manager renewed an existing lease for 8,674 sqm with a tenant-customer in Siemensstraße 11, Stuttgart-Frickenhausen and signed a new lease for 4,345 sqm with a tenant-customer in Duisburg.

Office portfolio occupancy declined by 1.7 p.p. to 93.2% as at 30 September 2021, as compared to the 94.9% as at 30 September 2020, mainly due to sustained pressure from new supply in Poland which resulted in increased vacancies in office assets in this market. On-the-ground insights based on direct market feedback and tenant-customer engagement from Cromwell’s asset management teams across Europe suggest that many occupiers are looking to renew leases, in some cases for slightly less space than planned or with flexibility in lease duration and to improve staff amenities. First signs for good demand from recovery are already seen in the Dutch office segment, which is CEREIT’s largest office market exposure, showing a positive NPI of +1.7% year-on-year.

On the acquisition front, the Manager most recently acquired a freehold, light industrial / logistics warehouse asset in Greater Venice, Veneto, Italy, for €19.6 million in November 2021. The acquisition price is 6.7% below independent valuation and represents an accretive 6.5% NOI[3] yield. Fully leased for a term exceeding eight years to a major global fast-moving consumer goods company, Reckitt Benckiser Group, the asset is CEREIT’s third Italian light industrial / logistics asset, further building logistics scale in this market.

Mr. Garing added, “Since the beginning of 2020, we have completed more than €260 million of light industrial / logistics asset acquisitions, at a 6.7% blended NOI[3] yield, across Germany, the Czech Republic, Slovakia, Italy and the UK. Current market fundamentals for the light industrial / logistics sector continued to be robust, with the spread between European logistics prime yield and European bonds remaining attractive at above 4%. Industrial property investment across Europe in 2021 has so far proven to be exceptional. Transaction volume year-to-date is up by 85% in comparison to a five-year pre-pandemic average, highlighting strong investor interest in this sector.

“CEREIT’s pipeline of ‘New Economy’ opportunities is well-advanced in Western Europe, including Germany, the Netherlands, Italy and the UK. If materialised, this will bring CEREIT closer to the 50%

target in terms of portfolio weighting. The bond issued in November 2020 continues to trade strongly. Initially issued at 2.12%, it has since rallied to a current bid yield price of 1.32%[4], below many of its similar BBB- rated peers. We look forward to enhancing the resilience and growth prospects of CEREIT's portfolio."

Resilient Balance Sheet with Responsible Capital Management

As at 30 September 2021, CEREIT recorded gross assets of €2,452 billion (S$3.825 billion[5]) and unaudited NAV per unit of €2.49. Its aggregate leverage of 37.8%, is on par with that as at 30 June 2021 and well within the Board's preferred gearing range of 35-40%. Its interest coverage ratio stands at 5.8 times, well in excess of its loan and EMTN covenants. CEREIT's total gross debt is fully hedged, and the total all-in interest rate remains low at ~1.72%.

CEREIT has no debt expiring until November 2022, with terms for a one-year extension of €157 million of the €180 million expiring in 2022 agreed in principle by the bank syndicates. As there were no debt transactions in this quarter, its pro-forma WADE[6] profile will improve to 3.7 years after the extension. The €200 million revolving credit facility remains fully undrawn, providing CEREIT with flexibility and ample liquidity.

During the quarter, Fitch Ratings Singapore Pte Ltd ("**Fitch Ratings**") re-affirmed CEREIT's Long-Term Issuer Default Rating of "'BBB-' with stable outlook". Fitch Ratings also affirmed the 'BBB-' senior unsecured rating on CEREIT's €1.5 billion EMTN[3] programme and outstanding €500 million in unsecured notes. The Manager is constantly exploring opportunities to further diversify its capital sources.

Sustainability and Corporate Governance

In recognition of the Manager's high environmental, social and governance ("**ESG**") standards and practices, CEREIT recorded high scores in the GRESB Real Estate Assessment 2021[7] and outperformed global and peer averages. CEREIT maintained its 'Green Star' status and achieved 76 points overall, improving 4% year-on-year and exceeding the peer average score of 72 points. CEREIT attained higher-than-average scores for its performance in data monitoring and review, building certifications, policies, reporting, tenant-customer and community engagement, as well as greenhouse gas emissions and waste management amongst 'Diversified – Office / Industrial (Europe)' peers. CEREIT was also awarded an 'A' grade in GRESB's Public Disclosure Assessment and recognised for having a dedicated sustainability task force and ESG leadership commitments, robust policies on ESG issues, measurable and time-bound ESG objectives, amongst others.

CEREIT also received the European Public Real Estate Association ("**EPRA**") Sustainability Best Practices Recommendations[8] 'Bronze' and 'Most Improved' awards, in recognition of the Manager's transparency and accountability to the investment community and other stakeholders.

The Manager's corporate governance practices also won accolades. In October 2021, CEREIT was announced the 'Winner' of the Singapore Corporate Governance Award in the REITs & Business Trusts Category, as part of an annual award presentation by the Securities Investors Association Singapore ("**SIAS**") and by the National University of Singapore ("**NUS**") Business School's Centre for Governance and Sustainability and supported by the Singapore Exchange.

European Economic Outlook

Europe's 3Q 2021 gross domestic product ("**GDP**") growth expanded 2.2% quarter-on-quarter, with France and Italy rising 3.0% and 2.6% respectively. Free-spending consumers newly out of COVID-19 lockdowns and additional investment activity from 'Next Generation' EU recovery plan are expected to continue to drive 5.0% and 4.5% GDP growth in 2021/22[9].

October CPI[10] was up 4.1% year-on-year, up from 3.4% in September, with core inflation at 2.1%, above European Central Bank's target of 20%, even deducting high energy prices. This is expected to feed through to higher rent growth for CEREIT, given the CPI-related[11] reviews incorporate in each of its leases.

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 a diversified portfolio of income-producing real estate assets in Europe that are primarily in the office and light industrial / logistics sectors. CEREIT's purpose is to provide unitholders with stable and growing distributions and net asset value per unit over the long term, while maintaining an appropriate capital structure. CEREIT maintains a long-term target portfolio weighting of at least 75% or more within Western Europe and at least 75% or more in the office and light industrial / logistics sectors.

CEREIT's portfolio comprises 109[11] properties with an appraised value of approximately €2,367 million[12] 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[2] profile of approximately 4.7 years as at 30 September 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[13], a real estate investor and manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

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1 Like-for-like excludes the €2.8 million of realised capital gains that were included in distributable income in FY 2020
2 WALE is defined as weighted average lease expiry by headline rent based on the final termination date of the agreement (assuming the leases are not terminated on any of the permissible break date(s), if applicable)
3 NOI yield is calculated as the annualised Day 1 net operating income pre-asset management fees divided by the purchase price including transaction costs
4 Source: Thomson Reuters Eikon as at 26 October 2021
5 Based on exchange rate of €1:€:S$1.56
6 Weighted average debt expiry
7 As at October 2021
8 As at June 2021
9 Source: Oxford Economics
10 Consumer price index
11 Including the new acquisition in the United Kingdom on 4 August 2021 (Kingsland Grange) and the new acquisition in Italy on 1 November (Mira)
12 Valuation is based on independent valuations conducted by CBRE and Savills as at 30 June 2021 for 80 assets, the remaining assets are carried at their 31 December 2020 valuation plus any capital expenditure incurred during 1H 2021 and any other adjustments. This is with the exception of the new acquisition in the Czech Republic acquired on 3 June 2021 (Hradec Králové), the new acquisition in the United Kingdom on 4 August 2021 (Kingsland Grange) and the new acquisition in Italy on 1 November (Mira), respectively, which are recorded at their purchase prices
13 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)