



**CROMWELL**  
EUROPEAN REIT



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# €68.3 million of Freehold Light Industrial / Logistics Acquisitions in Italy and Germany

22 April 2022



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# 1. Acquisitions Highlights Rationale & Key Benefits





# Acquisitions Highlights

Freehold light industrial / logistics properties in Italy and Germany; fully-leased out to high-quality tenant-customers; acquired at blended NOI yield<sup>1</sup> of 6.8%

€68.3 million  
Aggregate purchase price

6.8%  
Blended NOI yield<sup>1</sup>

100%  
Occupancy rate

5.4 years  
Blended WALE<sup>2</sup>

126,752 sqm  
Total floor area



ABB Industrial Site  
Vittuone, Milan, Italy  
("ABB")

Tenant-customer: **ABB**

**63,221** sqm total lettable area

**99,760** sqm site area



Bialetti Headquarters  
Coccaglio, Brescia, Italy  
("Bialetti")

Tenant-customer: **Bialetti Industrie SpA**

**44,644** sqm total lettable area

**74,533** sqm site area



Saalepark Jena  
Löbstedter Str. 101-109, Germany  
("Saalepark Jena")

Tenant-customer: **13 'new economy' companies**

**18,887** sqm total lettable area

**23,328** sqm site area

# Rationale & Key Benefits

1

**Consistent with the Manager's investment strategy**

- Acquisitions of three light industrial / logistics assets in the well-established and highly-liquid real markets of Italy and Germany further build CEREIT's light industrial / logistics scale in the western Europe accretively
- Acquisitions bring CEREIT's portfolio to a 43% light industrial / logistics weighting, advancing the Manager's stated strategy of pivoting CEREIT to a majority weighting of this sector

2

**Attractive price and risk-return profile**

- Aggregate purchase price<sup>1</sup> of €68.3 million (\$\$101.5<sup>2</sup> million), 12.7% below the aggregate independent valuations<sup>3</sup> undertaken
- 6.8% NOI yield blended
- Low risk rating of Acquisitions compares favourably to CEREIT's internal risk rating thresholds, enhancing the portfolio's risk-return profile

3

**Fully-leased out to high-quality tenant-customers**

- 126,752 sqm total gross floor area across the three properties
- 100% occupied with blended WALE of 5.4 years to a mix of high-quality and reputable tenant-customers

4

**Strategic locations in Italy and Germany**

- Strategic locations in the vibrant light industrial/logistics market in Northern Italy and growing biotech city in Germany
- ABB's attractiveness is enhanced by its logistics location and proximity to the Milan city centre, presenting a longer term potential redevelopment opportunity for urban logistics that may further unlock the asset's value
- Also situated in the Greater Milan region, Bialetti's attractiveness is boosted by a long WALE<sup>5</sup> of 12 years with no break option
- The attractiveness of Saalepark Jena is underpinned by a roster of 13 tenant-customers that operate in the highly desirable life sciences industry, that includes medical, precision engineering and biotechnology companies. The property is well-positioned to leverage the strong fundamentals of the German life sciences and logistics market and benefit from Jena's high GDP<sup>4</sup> growth rates, highly-educated labour force and thriving innovative industries

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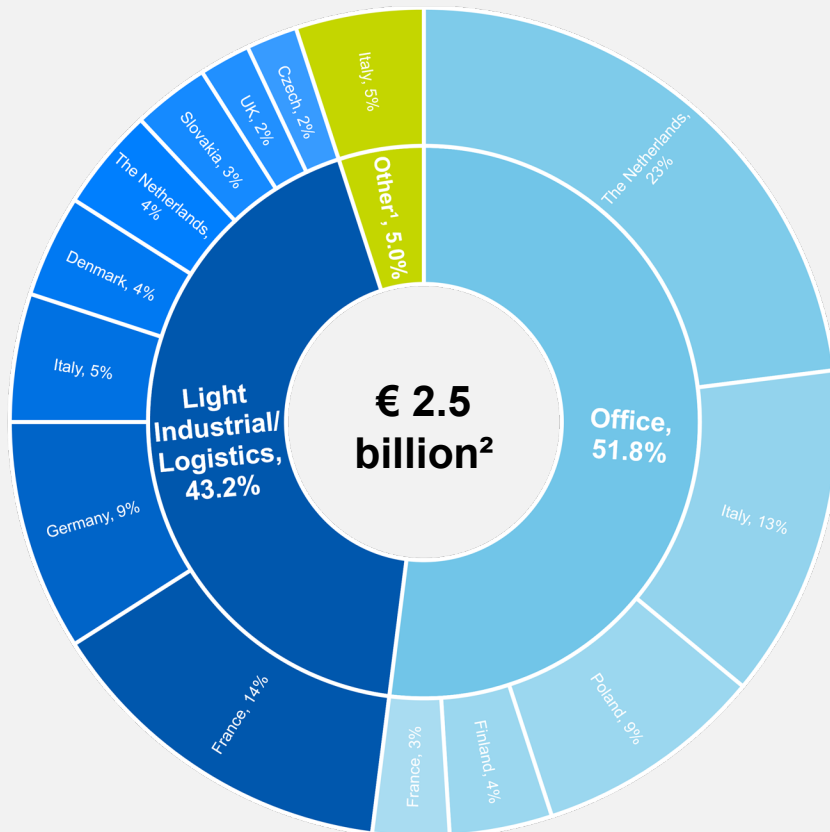
**Competitive funding**

- Acquisitions funded through a combination of CEREIT's existing cash balances and drawing down on CEREIT's revolving credit facility

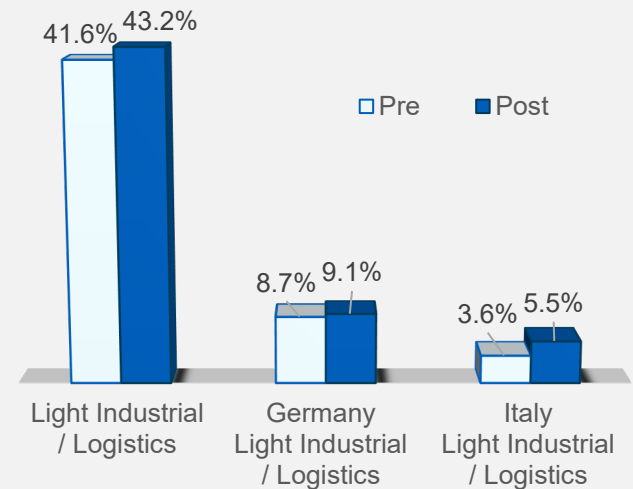
# CEREIT Portfolio Composition

Consistent with strategic objective of increasing CEREIT's portfolio weighting to the light industrial / logistics segment

1.6% increase in portfolio weighting to light industrial / logistics sector



“Acquisitions bring CEREIT’s portfolio to a 43.2 % light industrial / logistics weighting, advancing the Manager’s stated strategy of pivoting CEREIT to a majority weighting of this sector”





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## 2. Italian Acquisitions Economic & Market Overview



# ABB Industrial Site, Vittuone, Milan, Italy

Fully occupied by ABB; strategic location for last-mile logistics and potential redevelopment

## Asset Highlights

- Freehold, light industrial / logistics property built on a 99,760 sqm site presenting a good opportunity for last-mile logistics redevelopment. It covers a large area and has a rectangular shaped main structure, allowing flexibility for redevelopment
- Has a total lettable area of 63,221 sqm and consists of a principal main building for industrial activities and several associated attached and detached office buildings. The asset hosts more than 7,000 sqm of office space, representing more than 11% of gross lettable area. It has spacious under-beam ceiling heights of 9 m and a high floor loading capacity that can bear more than 5 tonnes per sqm of space
- Has dual vehicular access via Via dell'Industria and Via Giuseppe Mazzini, staff car parks, and ample manoeuvring space in front of the loading bays. Through the Arluno exit, the strategic A4 motorway is reachable in 3km.
- ABB currently uses the premises for three of its business divisions, including Electric Engine manufacture, Industrial Robots and EV charging stations, including demonstration and research and development facilities
- Fully let to a single tenant-customer with a “full repair” lease and no break option till the lease expires on 31 December 2023. The sole tenant-customer, ABB Ltd is a Fortune 500 company traded on three stock exchanges – Zurich, Stockholm and New York





# Bialetti Headquarters, Coccaglio, Brescia, Italy

Fully occupied by Bialetti on a 12 years long-term lease

## Asset Highlights

- Freehold, light industrial / logistics property built on a 74,533 sqm site
- Two buildings with a total lettable area of 44,644 sqm – the main building is a L-shaped warehouse while the other is a two-storey building with office, showroom and staff amenities
- Specification standards are comparable to a modern grade A warehouse, with 8.5 m ceiling height, a total of 12 loading doors and a large car park with 289 public parking spaces and 78 private parking spaces. The office, showroom and staff amenities cover 16.5% of the total lettable area, split over 2 levels
- Holds an energy performance certification rating of 'C', above current legislative threshold limits of 'E' and is likely to be compliant with future changes in legislation



# Along a Strategic Logistics Node in Lombardy Region

One of the wealthiest and most heavily-industrialised regions in Italy

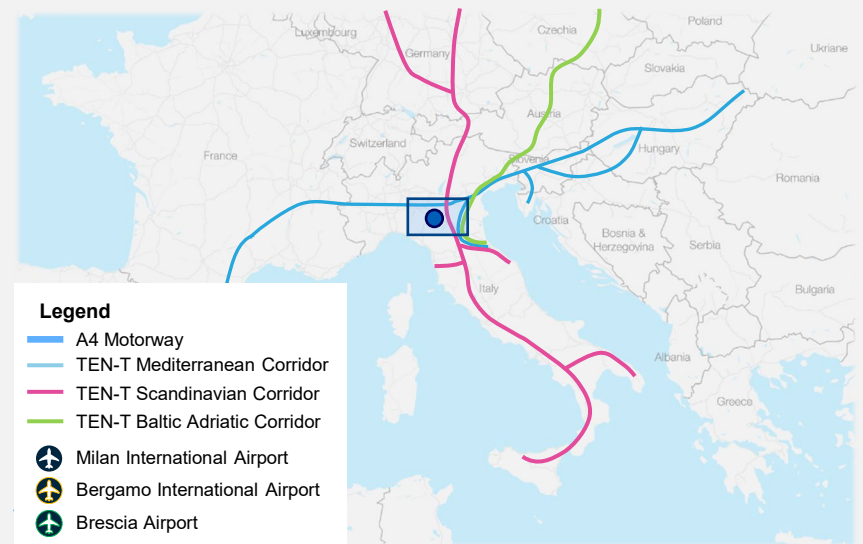
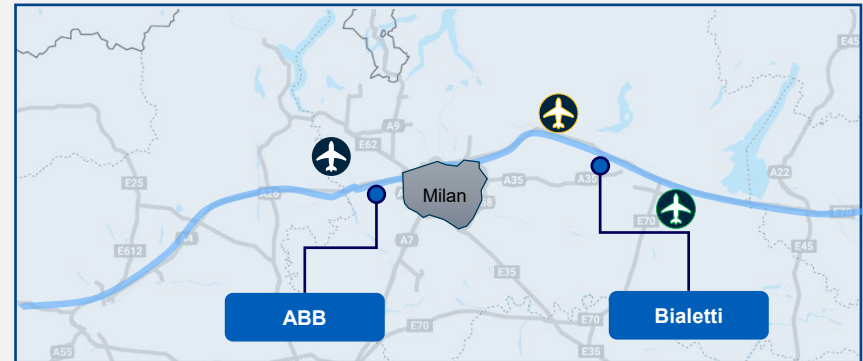
## ABB Industrial Site

- Located 25 km west of Milan's city centre, ABB is situated in a well-developed industrial area
- Situated at the northern periphery of Vittuone's urban area and the southern boundary of Arluno's urban area, ABB is easily accessible with a mere ~2.5 km from those metropolitan areas
- Well connected by road, railways and air with direct access to Milan International Airport via highways

## Bialetti Headquarters

- Located approximately 72 km east of Milan, Bialetti is situated in a well-developed industrial area in Lombardy, adjacent to the Brescia and Bergamo international airports
- Lombardy is one of the wealthiest regions in Italy, accounting for 19% of Italy's GDP<sup>1</sup>. With a population of 6 million people within a 1-hour drive to the Bialetti Headquarters, Lombardy has 16% and 19% higher household consumption and household income than the national average, respectively
- The region has a century-long legacy of firms focusing on steel, energy and food. The provisional regional unemployment is low at 4.7%
- Both ABB and Bialetti are well served by some of the most critical logistics corridors in Italy, including the A4 highway connecting the main Italian northern cities from West to East (Turin, Milan, Bergamo, Brescia, Verona, Venezia, Trieste) and the A35 connecting Bergamo, Brescia and Milan
- Bialetti sits along the strategic broader TEN-T Mediterranean corridor that runs from Spain to Eastern Europe

## Good connectivity to major motorway networks



# Strengths of the Italian Logistics Market



## Real estate investment market

One of the largest, liquid markets in Europe, consistently ranking at the top in terms of investor activity, attracting capital from around the world



## Economic size and growth potential

Italy is one of the 3 key economies within the Eurozone with a GDP<sup>1</sup> worth €1.7 trillion in 2021, along with France and Germany. The domestic market offers many opportunities, with a population of 59 million people and a GDP<sup>1</sup> per capita of €27,800



## Strategic logistic hub

Italy represents a strategic gateway to 500 million consumers across the European Union and to 270 million in Northern Africa and the Middle East, and is the main thoroughfare linking southern Europe to central and eastern Europe. Transport networks include 6,000 km of motorways, 1,350 km of high-speed rail, and strategic ports for maritime freight and transshipment along the Italian coast and islands



## Key manufacturing player

Italy is the second largest manufacturing country in Europe and particularly strong in sectors such as machine tools, fashion, food products, automotive and pharmaceuticals. Successful Italian manufacturers tend to be export driven and invest more in advanced manufacturing technologies



## Skilled workforce

Italy's skilled workforce offers an overall better cost performance than its comparable European partners. The labour cost in Italy is in fact below the Eurozone average and, on an hourly basis, labour costs in Italy are about 25% lower than in France and 23% lower than in Germany. 31 Italian universities are ranked in the top 500 academic institutions in the Times Higher Education World University Ranking 2021



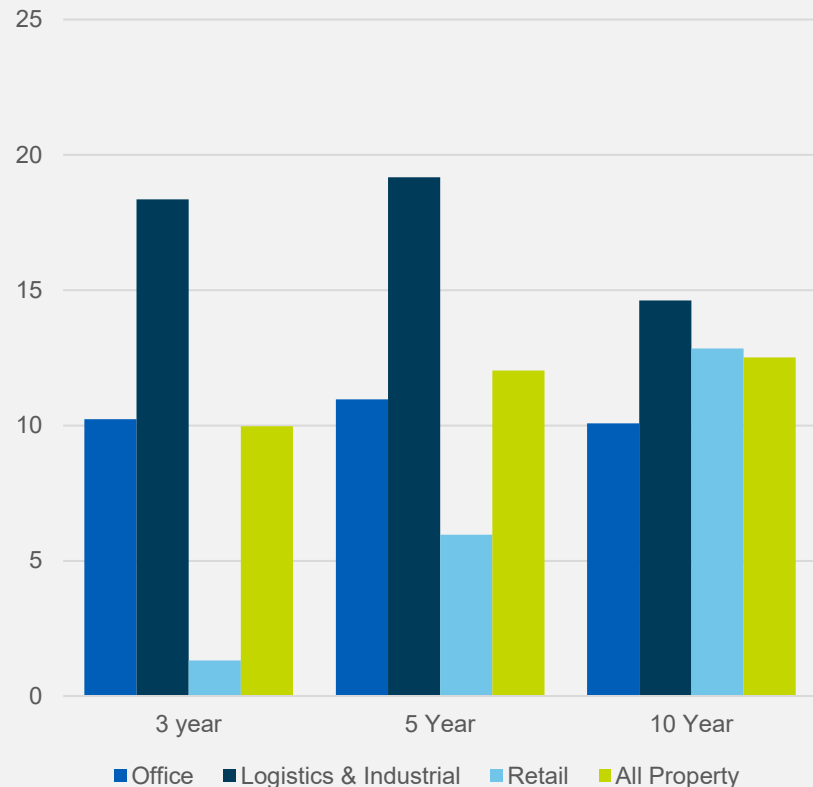
# Strong Fundamentals of the Italian Light Industrial / Logistics Market

Strong investment performance compared to other real estate sectors

## Long-term market fundamentals in place

- Stable cashflow, attractive running yields and income growth through active asset management
- CBRE data shows industrial total returns have exceeded all other sectors over the past 3, 5, and 10 year periods
- Structural evolution transforming the logistics market through the continued rise of e-commerce, technological advances embedding efficiencies and ESG integrating schemes into communities
- Strong supply to demand dynamic creating the environment for positive rental growth
- Italian prime yields at 4% are currently at a discount to other key European countries, such as France, Germany, and the UK
- Defensive and resilient – continued performance in the face of disruption outperforming initial market expectations
- Demand has been accelerated by COVID-19 increasing occupier demand coupled with continued investor appetite

## Italy annualised total returns by sector (%)

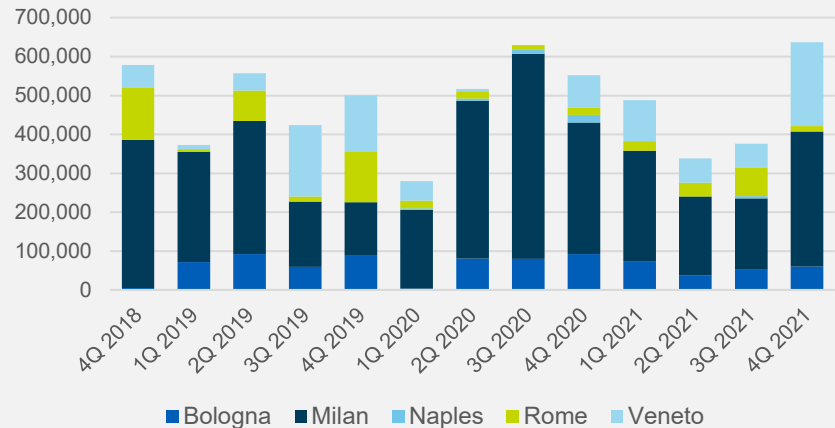


# Italian Logistics will Remain Resilient

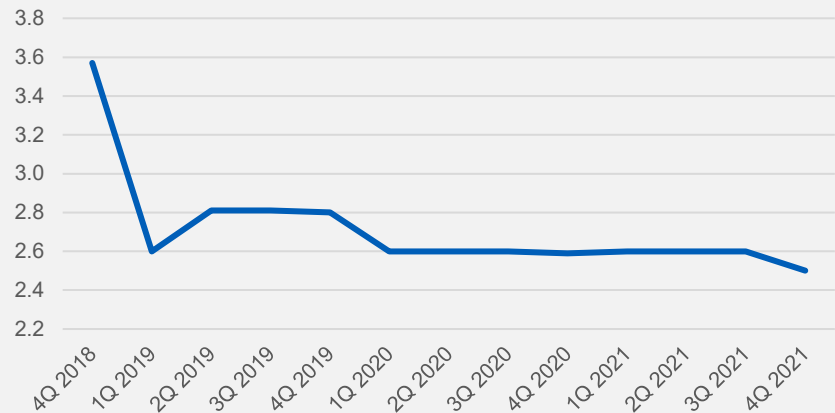
Occupational demand is underpinned by robust fundamentals

- Online shopping accounted for just 6% of overall retail trade in 2021, with €12.7 billion spent by consumers. However, this is forecast to increase by 34% to €18 billion by 2026. Increased online shopping will fuel future demand for both distribution centres and urban logistics in key hubs across Italy
- Growth of the e-commerce market and rising demand for home delivery options is driving demand for both big-box and smaller distribution centres located close to urban populations
- The highest rents in Italy are found in the north of the country, particularly close to urban centres. Prime rents in Milan are currently at €57 per sqm, and marginally lower in Rome at €56 per sqm. Levels are higher in Genoa (€60 per sqm), which is Italy's busiest seaport
- A lack of available space in the most desirable locations is driving occupiers to look at secondary locations or try to secure a building prior to completion. There has been strong demand for build-to-suit development, with international distribution companies and retailers keen to customise buildings to fit their requirements in terms of fit-out and automation. Occupier demand is focused on high quality modern buildings, and this is attracting institutional investors to the market
- Prime yields have compressed significantly over the course of the year, from 5% at the end of 2020, to 4.25% in December 2021

Logistics quarterly take-up by key city (sqm)



Logistics vacancy rate (%)



### 3.

# German Acquisition Economic & Market Overview





# Saalepark Jena, Germany

18,887 sqm and fully occupied asset backed by established tenant-customers in medical and biotechnology

## Asset Highlights

- A freehold, light industrial business park that occupies a site area of 23,328 sqm, gross lettable area of 18,887 sqm
- Consists of two four-storey buildings, one of which has six warehouse units and three office units, while the other is subdivided into four warehouse units and one office unit. The warehouse units, which collectively occupy a lettable area of 8,601 sqm, have a high ceiling height of about four to six m and maximum floor load capacity of three kN per sqm. The office and lab units cover an aggregate 7,682 sqm in lettable area and boast a modern design. In addition, it includes a service area, as well as 188 external parking spaces and 91 parking units in the garage
- Constructed between 1993 and 1994, the asset is well maintained and has had partial refurbishments conducted progressively from 2014 to 2020
- Fully let to 13 tenant-customers, which mainly operate in the medical and industrial equipment industries, as well as the precision engineering and biotechnology space. These include well-established names such as Abbott Rapid Diagnostics, Cross Match Technologies (subsidiary of Assa Abloy Group), Vistec Electron Beam and QUANTIFOIL Instruments



# Growing biotech city in Jena, Germany

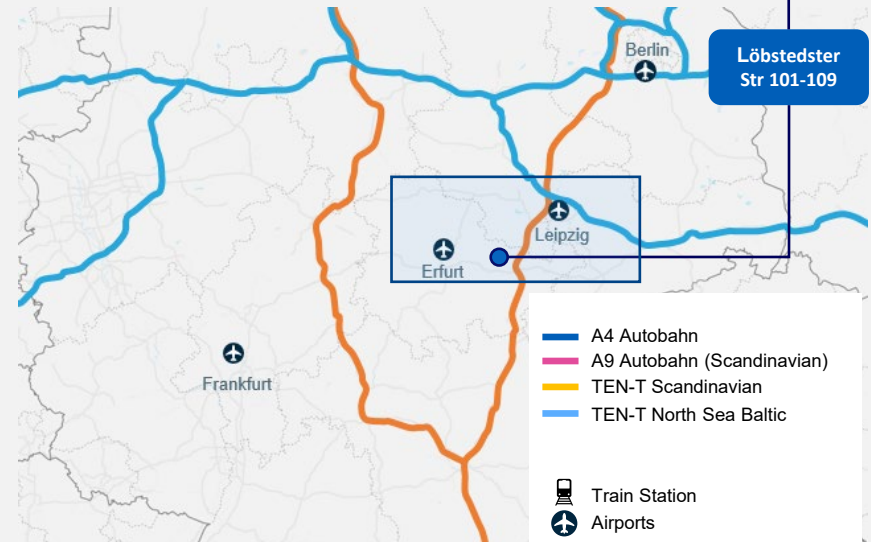
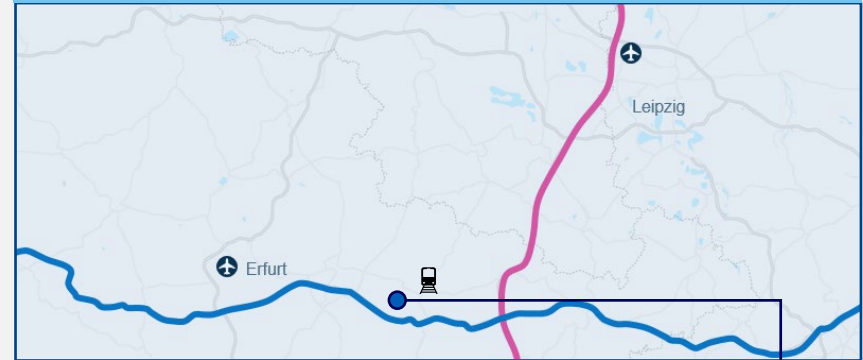
Well positioned to tap into growing high-technology industries, given the city's reputation as a centre for scientific research and limited space

## Saalepark Jena

- The asset is situated within the centre of education and research in Jena, the second largest city of Thuringia in central Germany, with other business parks as well as logistics and retail properties in its proximity
- Well served by the B88 federal highway, which connects to the B7 federal road and the A4 motorway – key routes traversing between eastern and western Germany, and the A9 north-south motorway
- Short proximity (3.6 km) from the main train station, that connects to the nearby Halle and Saalfeld region
- Linked by air to the Erfurt-Weimar Airport in the adjacent city of Erfurt, the capital city of Thuringia, and the Leipzig / Halle Airport, the second busiest airport by cargo traffic in Germany



## Good connectivity to major motorway networks





# Jena's Strategic Location

Highly desirable as a destination for high-technology industries

## Jena's Strategic Location

- Increased importance as an educational and scientific centre with the Friedrich Schiller University and numerous research facilities and institutes located in the city
- The world centre of the optical industry around companies like Carl Zeiss, Schott and Jenoptik (since 1990), Jena is also home to a number of local and regional companies in the freight and transport sectors
- Jena's economy has been dominated by high-technology industries, such as optics and photonics, health technology and precision engineering
- Part of the Erfurt logistics region, which enjoys robust north-south and east-west rail connectivity and leverages its central location in the country to serve as a distribution hub for non-food-related goods
- Due to a shortage of available land for building expansions or new developments, the rental rates in Jena are expected to be sustained at higher levels, relative to other nearby cities such as Erfurt or Weimar





# Strengths of the German Market



## Real estate investment market

One of the largest, most liquid markets in Europe, consistently ranking in the top three in terms of investor activity, attracting capital from around the world



## Economic size

With 83 million inhabitants, Germany is the most populous country within the European Union. With a gross domestic product of more than €3.2 trillion, Germany is the largest economy in Europe



## Central location

Germany's central location in Europe makes it a fantastic hub for goods and services. Germany is one of the top three in the world for exports, alongside China and the US



## Highly Developed Infrastructure

Germany has a closely knit network of roads, railways and international airports which guarantees swift connections. The airport in Frankfurt is an international hub. The Port of Hamburg is one of largest container transshipment centres in Europe. Communications infrastructure is exceptionally well-developed throughout the country



## Open Market

Germany is an open market and warmly welcomes foreign investors, as demonstrated by the presence of 22,000 foreign enterprises that have established businesses in Germany and collectively employ more than 2.7 million people. The German market is open to entrepreneurial investments across sectors and there are no longer any state-controlled industries. Germany is also receiving increasing attention from private equity firms and hedge funds due to its highly attractive companies located in the country and favourable investment conditions

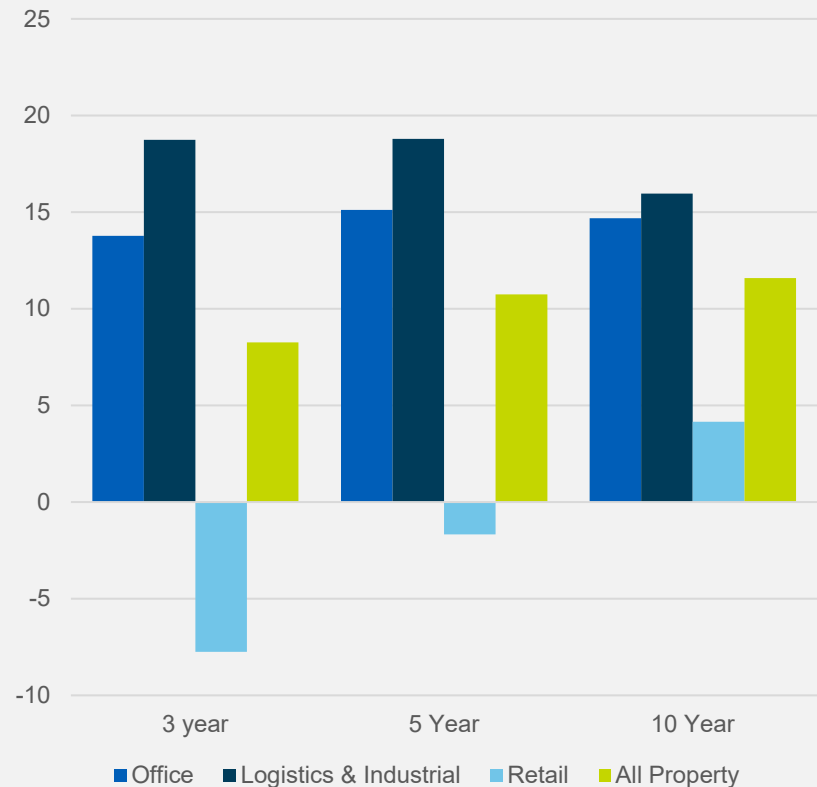
# Strong Fundamentals of the German Light Industrial / Logistics Market

Strong investment performance compared to other real estate sectors

## Long-term market fundamentals in place

- Stable cashflow, attractive running yields and income growth through active asset management
- CBRE data shows logistics total returns have exceeded all other sectors over a 3, 5, and 10 year period.
- Structural evolution transforming the logistics market through the continued rise of e-commerce, technological advances embedding efficiencies and ESG integrating schemes into communities
- The automotive industry's transition to electromobility will require substantial land to develop new battery factories
- Disrupted supply chains and near shoring will also push demand up in the future. In addition, e-commerce in all its permutations is dominating occupier activity
- Strong supply to demand dynamic creating the environment for positive rental growth
- The strong fundamental data and the positive growth outlook make logistics assets an attractive sector to new investors

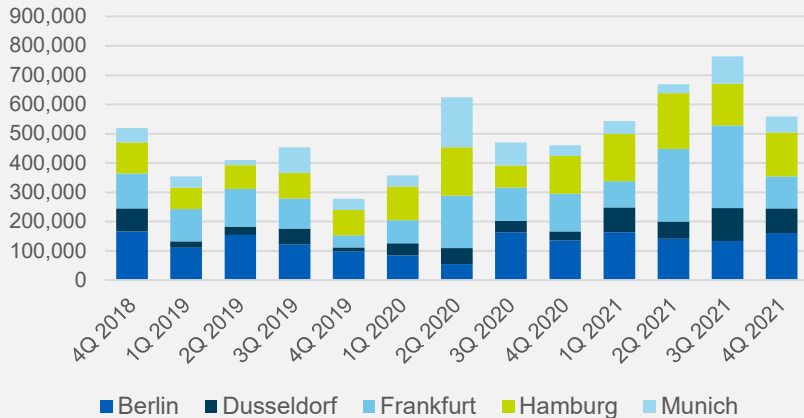
## German annualised total returns by sector (%)



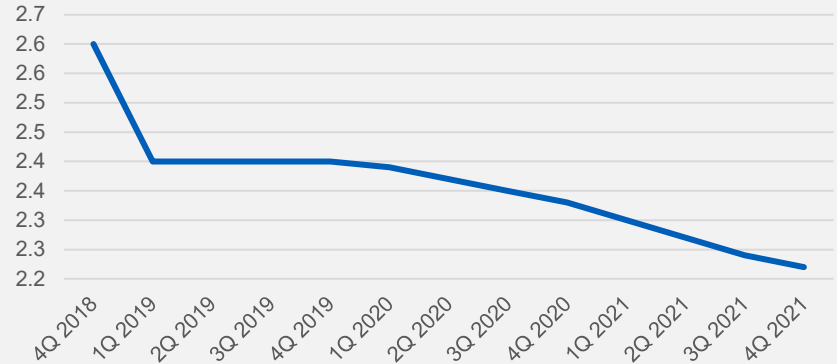
# German Industrial Sector to Remain Resilient

Occupational demand is underpinned by robust fundamentals

## Logistics quarterly take-up by key city (sq m)



## Logistics vacancy rate (%)



- In 2021, a total of 8.7 million sqm of German industrial and logistics space was taken up, the highest annual total on record
- Demand for warehousing, logistics and light industrial in Germany is driven by a combination of retailers, distribution and manufacturing players, which contribute to a balanced occupier market
- Due to limited supply of facilities, there has been a rise in pre-let activity in these markets. Out of the 620,000 sqm completed across these markets in 2021, only 174,000 sqm reached completion without a pre-let in place
- Although occupier demand remains strong, levels of available stock have been depleted in 2021 and a shortage of modern logistics and light industrial facilities and development sites is likely to limit take-up in 2022. Companies will need to be more flexible in terms of their requirements if they are to secure space immediately or agree to a pre-lease and await completion. Occupiers are also looking beyond the core markets to locations which may traditionally have been considered peripheral or secondary
- Prime rents have risen across most of the German markets in 2021, with the exception of Berlin and Cologne, where they have held steady. The strongest growth was in Dusseldorf in the Rhein-Ruhr region, followed by Stuttgart and Munich. Munich and Stuttgart have the highest rents across the across the markets, followed by Frankfurt and Hamburg



# Disclaimer

This presentation shall be read only in conjunction with and as supplementary information to Cromwell European Real Estate Investment Trust's ("CEREIT") announcement dated 22 April 2022, published on SGXNET, relating to Cromwell European REIT's €68.3 million of acquisitions in Italy and Germany.

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