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Cromwell European REIT Achieves 7.1% Growth in 1Q 2022 Distributable Income on Strength of Light Industrial / Logistics Portfolio

- Overall portfolio occupancy stable at 94.8%, with 4.2% positive rent reversion (+5.8% light industrial / logistics and +1.6% office rent reversion)
- Record light industrial / logistics portfolio occupancy of 96.2%, driven by robust European market fundamentals, validating strategic pivot to logistics and mitigating softening office demand
- 5.4% year-on-year increase in 1Q 2022 NPI from new acquisitions and higher CPI; 4.4% decrease on a like-for-like basis due to a 2.1% reduction in office occupancy to 89.8% over the quarter
- 38.6% aggregate leverage, low all-in interest cost of ~1.72% and debt 100% hedged / fixed
- Well-advanced plans to recycle capital through divesting non-core office and sub-€10-million light industrial / logistics assets

	1Q 2022	1Q 2021	Variance
Gross Revenue (€'000)	52,569	48,450	8.5%
Net Property Income (€'000)	32,487	30,836	5.4%
Income Available for Distribution to Unitholders (€'000)	23,298	21,744	7.1%

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 operational update for the first quarter ended 31 March 2022 ("**1Q 2022**").

CEREIT's unaudited gross revenue and net property income ("**NPI**") for the 1Q 2022 period rose 8.5% and 5.4% year-on-year to €52.6 million and €32.5 million, respectively, due to new acquisitions, higher rental income from CPI lease indexation and positive rent reversions. On a like-for-like basis (excluding new acquisitions, disposals and property under development), 1Q 2022 NPI decreased 4.4%. The like-for-like decrease reflected the 2.1% reduction in overall office occupancy and higher tenant-customer incentives in Poland. Income available for distribution to unitholders grew 7.1% to €23.3 million year-on-year, in part funded from the issue of S$100 million of perpetual securities in 4Q 2021 to finance the new acquisitions.

Net asset value ("**NAV**") per unit of €2.47 was marginally lower compared to €2.52 as at 31 December 2021, taking into consideration the 2H 2021 distribution of €8.459 cents per unit paid out in March 2022. Excluding distributable income that has not been paid out, NAV per Unit of €2.43 was unchanged at compared to 31 December 2021.

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "We are pleased to report a record-high occupancy of 96.2% in CEREIT's light industrial / logistics portfolio and a high rent reversion of 5.8%. The momentum in this sector has continued in the second quarter. The Manager recently announced 25,600 sqm of new leases in the Czech Republic and the commencement of CEREIT's first greenfield logistics development. Considering long-term structural trends such as the growth of e-commerce, the adoption of 'just-in-case' inventory management and on-shoring strategies, as well as the relatively slower recovery of the office market, we will continue to execute CEREIT's strategy to pivot towards a majority portfolio weighting to the light industrial / logistics segment.

"However, in light of the recent rise in interest rates, the ongoing Russian invasion of Ukraine and heightened market volatility, we will adopt a more cautious approach in the short term. CEREIT's selective acquisition strategy will be complemented by active capital recycling of non-core office and sub-€10-million older warehouses. CEREIT's major office exposure is to the core Dutch and Milan markets which are performing well, even as the smaller Polish and Finnish office markets continue to underperform. In all, the balance sheet remains in good shape while the on-the-ground Cromwell teams continue to actively manage the portfolio, which remains resilient to these current short-term headwinds."

Portfolio and asset management highlights

CEREIT maintained a high overall portfolio occupancy of 94.8% as at 31 March 2022, marginally lower as compared to 95.0% as at 31 December 2021. Weighted average lease expiry ("**WALE**") remained unchanged at 4.6 years. With leasing markets in the first quarter typically seasonally quieter, a total of 53 leases for 37,622 square metres ("**sqm**") (1.9% of the portfolio by net lettable area) were signed or renewed in 1Q 2022, at an average positive rent reversion of +4.2%.

The light industrial / logistics portfolio achieved a record occupancy of 96.2%, with a +5.8% rent reversion rate, buoyed by 28,336 sqm in new leases and renewals signed during the quarter. Key leasing successes during the quarter included 3,579 sqm of new leases and 3,255 sqm of renewals in Parc des Docks, Paris, which reached an occupancy rate of 90.6%. In Denmark, a new lease of 4,044 sqm was signed at Priorparken 700, Brøndby, increasing occupancy to ~90% from 1 April 2022. The remaining vacancies in these two assets present opportunities for continued positive rent growth over and above CPI and market rent growth of the remaining portfolio as, apart from these, the CEREIT's light industrial / logistics portfolio is effectively at full occupancy.

Riding the positive leasing momentum in Central Europe, the Manager announced on 10 May 2022 that CEREIT's local asset management teams have successfully secured three new leases and one lease renewal for over 25,600 sqm of light industrial / logistics space in total at Lovosice ONE Industrial Park I and II, in the Czech Republic, which will be included in 2Q 2022 leasing data.

Collectively, these leasing achievements validate the capabilities of CEREIT's on-the-ground teams and build on CEREIT's light industrial / logistics leasing momentum in Central Europe.

CEREIT's office portfolio registered positive rent reversion of 1.6%, from several lease renewals and smaller new leases in Italy, France and Finland. The nascent recovery in demand for office space post-pandemic reopening has been tempered by the ongoing Russia invasion of Ukraine, particularly in Finland and Poland, which has reduced appetite for further commitments to office expansions. Preference in Europe continued to trend towards shorter lease durations and flexible leases. CEREIT's larger tenant-customers have mostly committed to lease renewals, while core Dutch and Milan office remained stable, attracted to the Manager's asset enhancement initiatives and "green" certification program undertaken over the past four years. Nevertheless, ongoing structural, economic and geopolitical headwinds for Polish and Finnish office contributed to a further decrease in occupancy to 89.8% as at 31 March 2022, compared to 91.9% as at 31 December 2021.

According to CBRE, office-based employment, having dipped in 2020 and rebounded in 2021, is set to rise by a further 1% to 2% in 2022. Vacancy rates, which rose over the past two years, are also beginning to decline in several key CBD markets, including Paris, Rotterdam and Milan, with these three all currently at below 6% vacancy. Nonetheless, as occupiers increasingly seek modern, quality assets and prime locations in Europe's gateway cities, vacancies in older, secondary offices may continue to rise.

Advancing pipeline of acquisition opportunities and capital recycling

Year-to-date, the Manager successfully completed the acquisition of three light industrial / logistics properties for €68.3 million, at an average 6.8% net operating income yield and 12.7% below independent valuations. Two of the properties are situated in strategic logistics locations in Greater Milan, while the third property is located in a growing biotech university town within central Germany. The three properties span 126,752 sqm in total gross lettable area, have a blended WALE of 5.4 years and are fully-leased to global companies such as ABB, Bialetti and Abbott Diagnostics.

The Manager is also in advanced stages of evaluating the disposal of several non-core office and smaller older warehouses, as part of its ongoing capital-recycling efforts.

Redevelopment and greenfield development plans progressing well

In addition to acquisitions, the Manager plans to invest about €250 million over the medium term into the redevelopment of older office assets into modern and attractive CBD locations and development of new logistics warehouses, unlocking freehold land value and providing long-term income and NAV per unit accretion. The new properties will be designed to meet CEREIT's stringent ESG standards, with attractive levels of tenant-customer amenities to meet market demand for modern quality and green-certified buildings amid limited availability of such spaces in Europe. This approach will also bring CEREIT closer to achieving the aspirational Net Zero operational carbon emissions by 2040 target that the Manager has announced.

Building strip-out works and initial leasing proposals on the €25 million redevelopment of an older office asset at Via Nervesa 21 in Milan, Italy are progressing well. The well-located property will be transformed into a 10,000 sq m BREEAM[1] Platinum Grade A office space, with redevelopment works likely to be completed by the end of 2023.

The Manager has also commenced its first greenfield logistics development at Lovosice ONE Industrial Park I in Lovosice, the Czech Republic. As announced on 10 May 2022, the Manager has secured pre-leases for 40% of the five warehouse units spanning almost 15,000 sqm. The €15 million development will see over 30,000 sqm of modern warehouse facilities constructed, with practical completion expected in 4Q 2023. The property is well-situated and a one-hour drive between Prague in the Czech Republic and Dresden in Germany and is already attracting strong leasing interest. Upon completion, the asset is likely to attain a BREEAM[1] "Very Good" rating and deliver logistics development margins within normal logistics market ranges.

Responsible capital management

As at 31 March 2022, CEREIT reported 38.6% aggregate leverage, which remains comfortably within the board-approved range of 35% to 40%. It also reported a high interest coverage ratio of 6.8 times, well in excess of its loan and Euro medium-term note covenants. The average all-in interest rate remains low at ~1.72%.

CEREIT's debt remains 100% hedged / fixed for the majority of 2022, with approximately 20% of hedging expiring in October 2022 which are interest rate caps at 0% on the three-month Euribor. Three-month Euribor rates have remained low at around negative 45 basis points ("**bps**") and need to rise above zero (0%) before having any impact on DPU beyond October 2022 (assuming no additional hedges are entered into). As an illustration, the Manager estimates that an increase from -45 bps to 1% (i.e. 145 bps rise) in the 3-month Euribor rates may impact the FY 2023 distributable income by approximately €2 million.

However, longer-term Euro interest swap rates have rapidly increased so far this year. As an example, in November 2020, CEREIT issued an inaugural €300 million of bonds at a fixed interest rate at 2.16% for five years, while today the bonds are trading at approximately 150 bps higher (although this has no impact on CEREIT, given that the coupon is fixed).

CEREIT has a healthy cash balance of €67 million and an undrawn revolving credit facility of ~€124.2 million as at 31 March 2022, which provides the Manager with the flexibility and liquidity to fund future investments. Despite its staggered debt maturity profile of 3.1 years with no major debt expiring until November 2023, the Manager is closely monitoring the debt markets.

Overall, all financial metrics remain within loan and bond covenants, enabling CEREIT to maintain its "BBB- (Stable Outlook)" investment-grade credit rating from Fitch Ratings.

Update on impact of ongoing Russian invasion of Ukraine and rising energy costs

The Manager provided a market update on the impact of the ongoing Russian invasion in Ukraine on CEREIT's portfolio on 14 March 2022. Notwithstanding a prolonged conflict, CEREIT is currently seeing no immediate business impact to its assets, tenant-customers or finances. Only two of CEREIT's 10 investment countries – Poland and Slovakia – share a border with Ukraine and assets in these two countries collectively represent about 12% of CEREIT's portfolio. In addition, lease expiries for the rest of the year in these two countries represent only ~1% of CEREIT's total portfolio NLA. CEREIT's tenant-customer list is screened regularly via the Worldcheck One tool for over 600 sanctions lists – only one tenant-customer in Poland has recently been flagged as "high risk" due to its inclusion in a sanctions list, on which the Manager is taking appropriate action.

The US Federal Reserve and other Central Banks' tightening of monetary policy, Russia's invasion of Ukraine and supply chain disruptions from China's COVID-19 restrictions have exacerbated market volatility and worsened sentiment. Eurozone inflation has jumped to a record 7.5% year-on-year in March 2022, up from 5.9% in February 2022[2]. Energy inflation picked up 45% year-on-year in March 2022 on skyrocketing energy prices[2]. While inflation is anticipated to remain elevated, the majority of CEREIT's leases notably include some form of an annual inflation adjustment factor, without a cap or collar, providing additional NPI growth.

Most of CEREIT's leases are "net", which provide for the property service charges, including most of the energy and utility costs, to be passed through to the tenant-customers. At present, energy costs account for around 5% of the typical tenant-customer occupancy cost (rent plus service charge). Increased costs for common areas and vacant areas will have a minimal impact to CEREIT. Approximately 20% of CEREIT portfolio's energy supply is from currently lower-priced renewable sources while the majority of French energy comes from the nuclear power, which is currently approximately half the current spot price of gas-based electricity prices in Germany. Consequently, the Manager is not seeing material stress loads from majority of its tenant-customers during these warmer months.

Commercial real estate investment transactions in Europe reached €73 billion in 1Q 2022 and are expected to hold up well in the near term, in spite of the ongoing war in Ukraine, rising inflation and increasing interest rates[3]. The office sector accounted for 32% of the total investment volume in 1Q 2022, with strong demand for quality assets in well-connected locations[3]. Industrial activity accounted for a near record of 20% of the total investment volume over the same period[3].

Outlook and Conclusion

Mr. Garing concluded, "Pent-up consumer demand and investments are expected to drive modest European growth and recovery with Eurozone GDP growth forecast at 2.7%, although risks remain. In light of the inflationary environment, rising interest rates and Russia's invasion of Ukraine, we are closely monitoring and cautiously managing the impact from these external market conditions. Despite the cost pressures in the operating environment and prevailing geopolitical risks, the long-term attractive fundamentals of European commercial real estate remain reasonably intact. We will continue working closely with our local asset management teams, tenant-customers and business partners to maintain occupancy, attain positive rental reversions and continue the pivot towards a majority light industrial / logistics weighting. In doing so, we believe that our efforts will succeed in making CEREIT's portfolio more resilient and future-ready, and thereby deliver long-term stable and growing DPU and NAV per unit for unitholders."

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ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT'**) has a principal mandate to invest, directly or indirectly, in income-producing commercial real estate assets across Europe with a minimum portfolio weighting of at least 75% to Western Europe and at least 75% to the light industrial / logistics and office 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 currently targets a majority investment weighting to the light industrial / logistics sector while also investing in core office assets in gateway cities.

CEREIT's portfolio comprises 115[4] predominantly freehold properties with an appraised value of approximately €2,516 million[5] in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland, Denmark, Slovakia, the Czech Republic and the United Kingdom with an aggregate lettable area of approximately 1.9 million sqm and 800+ tenant-customers.

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 “BREEAM” refers to Building Research Establishment Environment Assessment Method. It is the world's leading sustainability assessment method for master-planning projects, infrastructure and buildings
2 Source: Oxford Economics, 6 May 2022
3 Source: Real Capital Analytics, 2 May 2022
4 115 properties include 112 properties as at 31 December 2021, two assets in Italy (acquired in February and March 2022) and one asset in Germany (acquired in April 2022)
5 Based on independent valuations conducted by CBRE Ltd and Savills Advisory Services Limited as at 31 December 2021 plus any capital expenditure incurred during 1Q 2022 and any other adjustments for 108 assets and seven recently acquired properties recorded at purchase price: two in the UK (acquired in August 2021 and December 2021), two in the Netherlands (both acquired in December 2021), two in Italy (acquired in February and March 2022) and one in Germany (acquired in April 2022)
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)