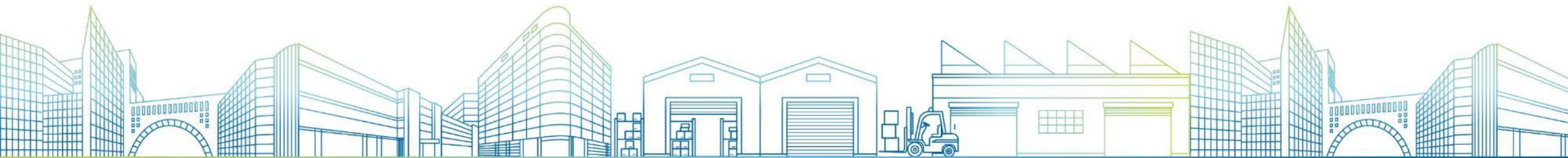


# Divestment of an office asset in Finland and acquisition of a third logistics asset in the UK

6 July 2022



**FOCUS ON STRENGTHS | PIVOT TO LOGISTICS**

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## Divestment of an office asset in Finland





# Divestment of office asset in Finland

CEREIT's portfolio exposure to Finland is effectively reduced by 15% to 3.6%

- Divested for **€16.2 million** on 6 July 2022
  - **6.4% above most recent independent valuation** (€15.2 million as at 31 December 2021)
  - **20% premium to purchase price** (€13.5 million, acquired on 28 December 2018)
- 6,821 sqm in NLA
- 90% occupancy
- Located at Hitsajankatu 20 - 24 in the submarket of Herttoniemi, approximately 8 km east of central Helsinki



# Acquisition of a third logistics asset in the UK





# The Cube, Whitehouse Industrial Estate, Preston Brook, UK

CEREIT's third freehold logistics asset in the UK, further building scale in one of Europe's largest most liquid real estate markets

Property type	Logistics
Purchase price	£18.9 (€22.1 <sup>1</sup> ) million
Purchase date	18 May 2022
Land lease tenure	Freehold
Site area (sqm)	38,300
Floor area (sqm)	14,120
NOI <sup>2</sup> yield	5.2%
Occupancy	100%
Lease duration	10 years
Tenant-customer	Kammac Ltd, UK national 3PL



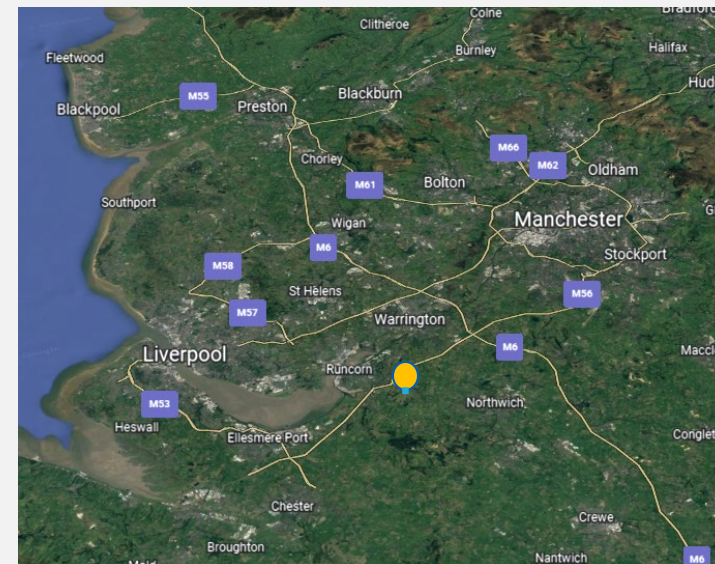
**100%**  
Occupancy rate



**10 years'**  
Lease



**5.2%**  
NOI yield



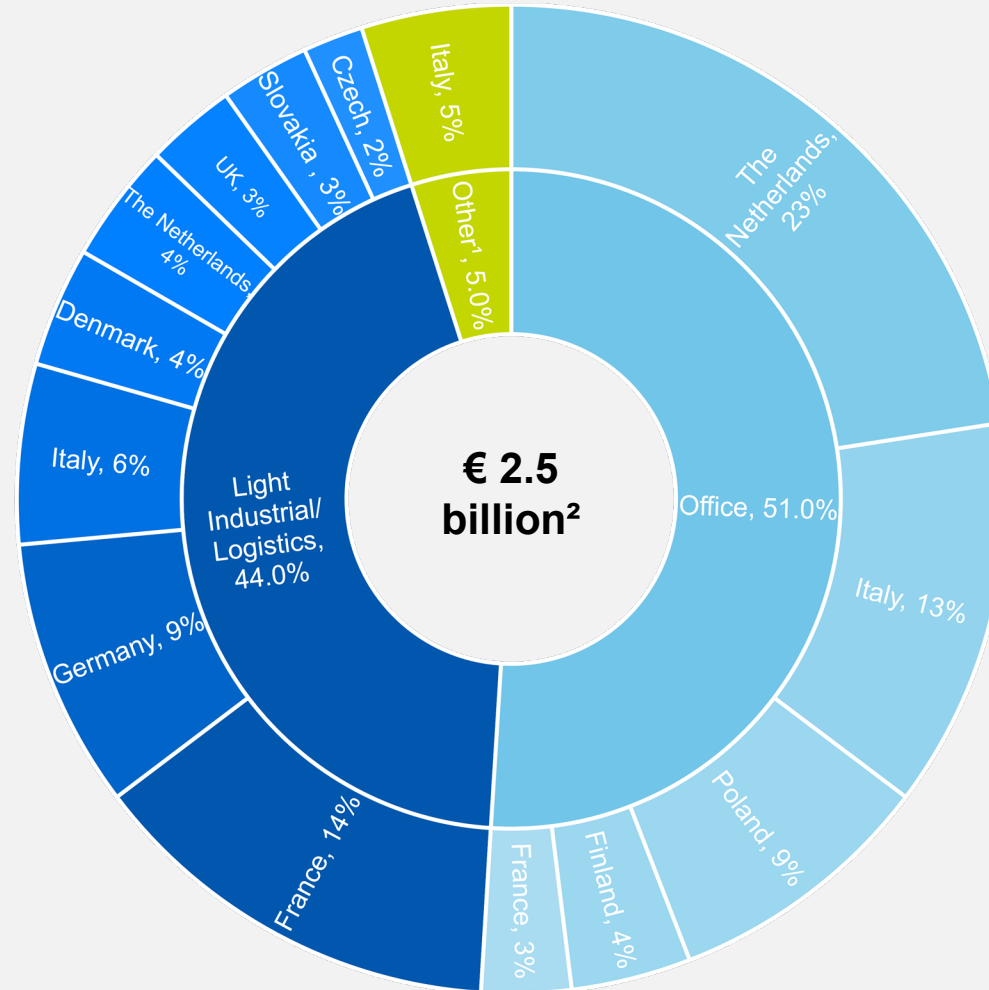
## Highlights

- **Well-located:** Situated within the excellent logistics location of Whitehouse Industrial Estate in Preston Brook, south-east of Runcorn, which is well-positioned in an ideal distribution location for UK logistics and industrial occupiers. Neighbouring operations include Diageo, YKK, DHL and Phoenix medical supplies. The area has a large amount of industrial and distribution warehousing due to its strong transport links and proximity to major cities in the North West of England
- **Purpose-built distribution facility for modern logistics:** The asset consists of a 7,733 sqm high-bay warehouse, a 5,184 sqm normal 9 metres ("m") height-bay warehouse and a 1,203 sqm in office and other ancillary areas. The large high-bay warehouse incorporates 28 m eaves, 2-storey offices (only ~9% of space), 13 loading doors and a significant canopy area
- **Secure, long-dated income backed by a good tenant-customer:** 100% let on a 10-year triple net lease to Kammac Ltd, UK national 3PL; the tenancy includes a RPI<sup>3</sup>-linked rent review at year five subject to a collar / cap of 1% and 3% (compounded annually), thus providing future positive rent uplift
- **Attractively priced:** Purchase price of £18.9 (€22.1<sup>1</sup>) million is at a 14.7% discount to an independent valuation from Knight Frank LLP<sup>4</sup> (£22.2 million), and at 31.0% discount to replacement cost<sup>5</sup>
- **Competitively funded:** funded through a combination of CEREIT's existing cash balances and drawing down on CEREIT's revolving credit facility



# CEREIT's current portfolio composition

- CEREIT has completed ~€430 million in light industrial / logistics acquisitions<sup>3</sup> (at a 6.2% blended NOI yield) since the beginning of 2020 till present
- CEREIT's portfolio currently has a weighting of 44.0% to light industrial / logistics, advancing the Manager's stated strategy of pivoting CEREIT to a majority weighting of this sector



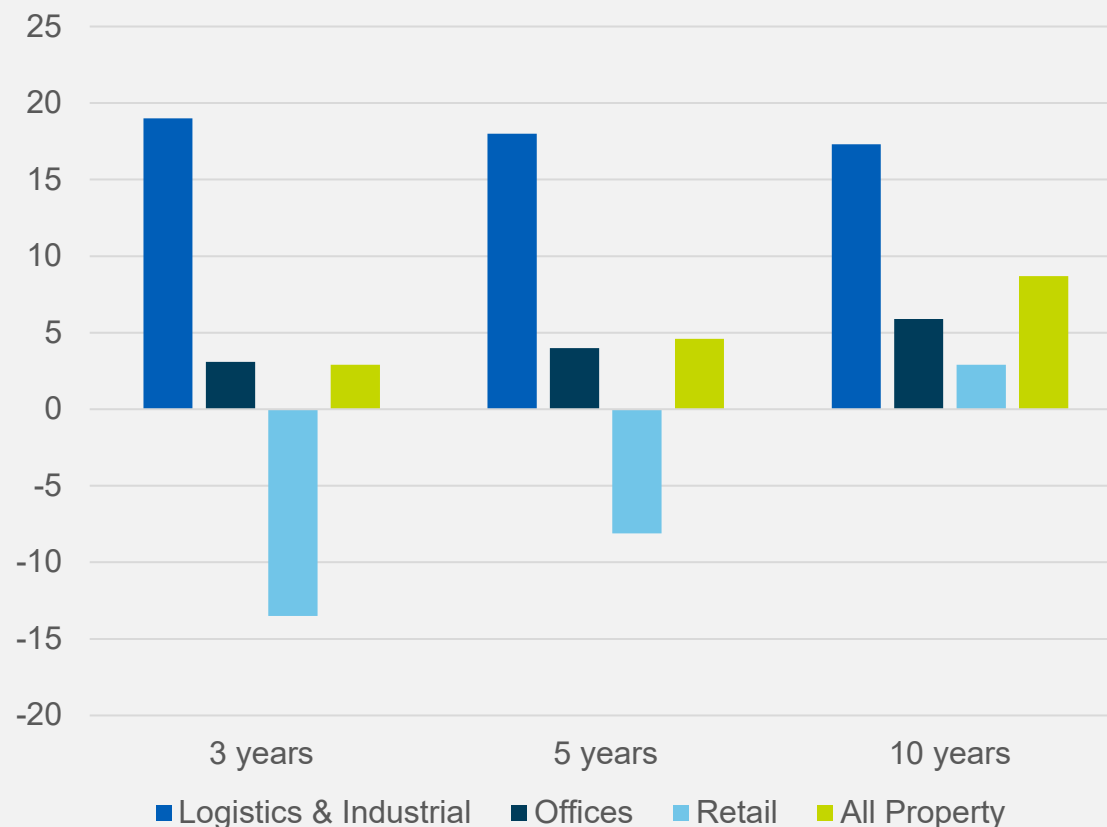
# Strengths of the UK logistics sector

Strong investment performance compared to other UK real estate sectors

## Long-term market fundamentals in place

- CBRE data shows **industrial total returns have exceeded all other sectors** over the past three, five and ten-year periods
- **Stable** cashflow, **attractive running yields** and **income growth** through active asset management
- **Structurally evolving UK logistics market** is driven by the continued rise of e-commerce, technological advances which facilitate the smoother integration of efficiencies and environmental, social and governance goals into communities
- Strong supply and demand dynamic has fostered an environment for **positive rental growth**
- Market is **defensive and resilient** and continues to outperform initial market expectations in the face of disruption
- **Increasing occupier demand** and continued investor appetite have been accelerated by COVID-19 pandemic
- Logistic yields continue to offer a **significant margin** compared to the 10-year UK government bond rate

## UK annualised total returns by sector (%)





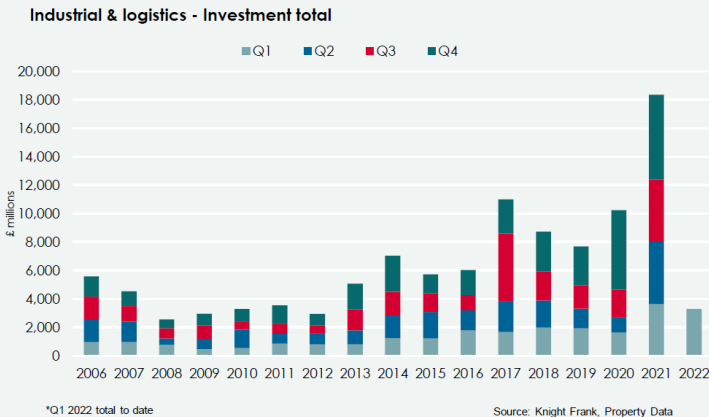
# Resilience of the UK logistics sector

Occupational demand is underpinned by robust fundamentals

## Investment market

- 1Q 2022 industrial investment volumes were £3.3 billion
- This is the second highest 1<sup>st</sup> quarter on record, just below the record £3.7 billion invested into the market in 1Q 2021

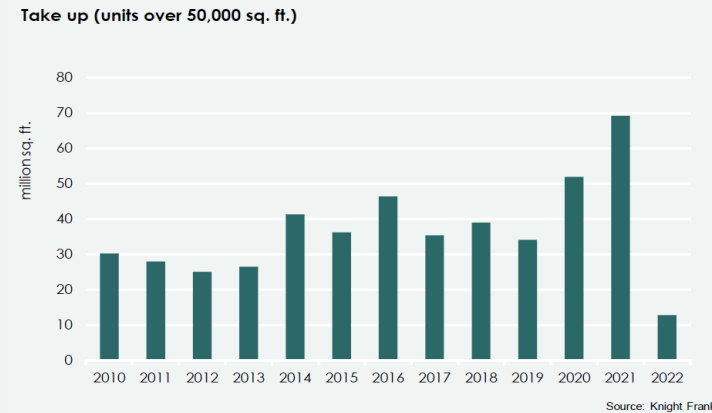
## Investment in industrial & logistics



## Occupier market

- Light industrial and logistics space take up for the first quarter of the year stands at 12.8 million square feet ("sqft")
- This is slightly lower as compared to 14.6 million sqft of take up recorded in 1Q 2021
- 1Q 2022 vacancy stands at 3.1%, with limited options available for occupiers seeking space

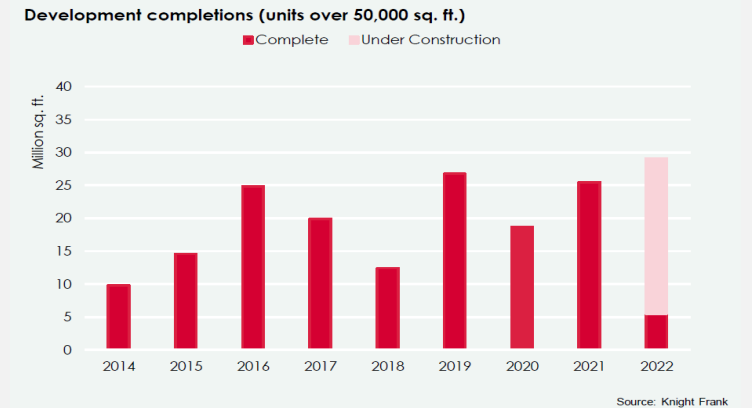
## UK industrial & logistics take up



## Development market

- 5.5 million sqft completed development in 1Q 2022
- 23.6 million sqft under construction / expected to be completed later this year with most already committed on either a build-to-suit or pre-let basis
- Strong occupier market activity driving appetite for development, while rising construction costs, ongoing material delays and labour shortages are barriers to development schedule

## Annual development completions



# 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 6 July 2022, published on SGXNET, relating to "Cromwell European REIT Divests An Office Asset In Finland And Continues Its Pivot To Light Industrial / Logistics With The Acquisition Of Its Third UK Logistics Asset".

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If you have any queries, kindly contact:

Investors:

**Cromwell EREIT Management Pte. Ltd.**

Elena Arabadjieva

Chief Operating Officer & Head of Investor Relations

 [elena.arabadjieva@cromwell.com.sg](mailto:elena.arabadjieva@cromwell.com.sg)  
 +65 6920 7539

Regina Firman

Assistant Investor Relations Manager

 [regina.firman@cromwell.com.sg](mailto:regina.firman@cromwell.com.sg)  
 +65 6920 7192

Media: SEC Newgate Singapore

 [cerit@secnewgate.sg](mailto:cerit@secnewgate.sg)

