**Media Release**
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# Cromwell European REIT delivers resilient 1H 2023 results

- 1H 2023 portfolio NPI +3.9% like-for-like vs pcp (light industrial / logistics NPI +8.7% like-for-like vs pcp) supporting adjusted DPU (-4.5% vs pcp)
- 39.5%[1] aggregate leverage (July 2023) provides ample headroom of ~€500 million to MAS limits
- Portfolio occupancy at >95%, led by effective majority weighting to light industrial / logistics sector that is 98% occupied

| | 1H 2023 | 1H 2022 | Variance |
|---|---|---|---|
| **Gross Revenue** (€'000) | 108,341 | 107,417 | 0.9% |
| **Net Property Income ("NPI")** (€'000) | 68,535 | 67,330 | 1.8% |
| **Income Available for Distribution to Unitholders** (€'000) | 43,809 | 48,902 | (10.4%) |
| **Distribution Per Unit ("DPU")** (Euro cents) | 7.790 | 8.695 | (10.4%) |
| **Adjusted DPU**[2] (Euro cents) | 7.790 | 8.160 | (4.5%) |

**SINGAPORE** – Cromwell EREIT Management Pte. Ltd., the manager (the "**Manager**") of Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**"), announced today CEREIT's results for the six months ended 30 June 2023 ("**1H 2023**").

1H 2023 net property income ("**NPI**") was €68.5 million, up 1.8% compared to the prior corresponding period ("**pcp**"), slightly impacted by the loss of income from asset sales and from the two Italian CBD office redevelopments underway. Otherwise, NPI was up 3.9% on a like-for-like basis, mainly due to higher income from market rent growth and annual inflation indexation.

1H 2023 DPU of €7.790 cents was moderately down 4.5% compared to the pcp on an adjusted basis, excluding distributable income recorded from the two assets under redevelopment and €1.1 million capital distribution top up made in 1H 2022. Higher interest costs impacted DPU by €0.881 cents per unit ("**cpu**") in 1H 2023, offsetting the higher NPI growth recorded. The Board decided to preserve capital gains and not declare a capital distribution top-up in 1H 2023, given the weaker macro fundamentals and tighter credit markets. This led to actual DPU decline of 10.4% compared to the pcp. Nervesa 21 in Milan, Italy, is expected to resume contributing income in 1H 2024 upon completion and successful leasing, while 94% of debt is now hedged / fixed for two years, minimising further DPU impact.

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "We are pleased that CEREIT's portfolio has now effectively reached a majority weighting to the logistics / light industrial sector at 51%, post the pending completion of the sale of Viale Europa 95 in Bari, Italy. This majority portfolio sector delivered very positive like-for-like NPI growth of 8.7% in 1H 2023 and maintained occupancy at 97.9%, as e-commerce continued to grow and supply chains expanded. We also executed on plans to recycle office and other assets, with €135 million of divestments at a 5.4% premium to valuation ensuring conservative gearing of 39.5% today. CEREIT now has €500 million of headroom to MAS limits and is within the Board's policy range of 35-40%.

"CEREIT's portfolio valuations outperformed, modestly declining by 1.6% in the first half of the year. Valuations were supported by active leasing and renewals of over 30% of the portfolio and sustained high level of positive rent reversions in the last 18 months, which largely offset the rise in cap rates. CEREIT's logistics / light industrial portfolio increased in value over the period by 0.8% while its office portfolio only declined in valuation by 3.9%, with CEREIT's Dutch Grade A office values outperforming the Grade B office assets in Poland, Italy and Finland. Cromwell's experienced local asset managers re-leased 6.8% of CEREIT's portfolio at a healthy +5.9% higher rent reversion, maintaining overall occupancy at 95.4% in 1H 2023.

"CEREIT now has no debt expiring until November 2025, after completing €322.5 million of sustainability-linked refinancing in past two weeks on 4 to 5 - year terms. We have also fixed / hedged 94% of the debt and repaid the old floating rate RCF, minimising the further impact of rising interest rates for the next two years. CEREIT's all-in interest rate post the refinancing is now ~2.9%."

## Portfolio valuation resilience

CEREIT's property portfolio was held at €2.39 billion as at 30 June 2023, with valuations declining by a modest 1.6% from 31 December 2022. Independent valuations totalling €2.29 billion were conducted for 111 properties as at 30 June 2023, excluding capital expenditure incurred during the period and excluding one property classified as an asset held for sale. The light industrial / logistics sector recorded a 0.8% or €9.1 million valuation gain to c. €1.2 billion in June 2023 as compared to December 2022, driven by asset management success. The office sector recorded a 3.9% or €43.4 million valuation loss to ~€1.1 billion in June 2023 as compared to December 2022, in particular Poland and Finland. CEREIT's net asset value ("**NAV**") as at 30 June 2023 was €2.30 per unit, €12 cents lower as compared to 31 December 2022 due to the portfolio fair value loss.

### Focus on asset recycling

Since FY 2022, CEREIT sold six assets across Germany, Finland, France, and Italy, for a total of €135 million at a blended 5.4% premium to the most recent valuations. Most recently Piazza Affari 2, a Grade A office asset in Milan, Italy, was divested for €93.6 million at a €11.9 million or 14.6% premium to the 2017 purchase price and €200,000 above the June 2023 valuation. The Manager is in advanced stages of further asset sales, noting that credit conditions are causing reduced market volumes. The divestments are in line with the Manager's previously stated strategy of divesting ~€400 million non-core and non-strategic assets over the next 2 - 3 years to partly recycle into redevelopments and asset enhancement programmes.

### Responsible capital management

CEREIT's balance sheet remained healthy, with €140 million of cash and cash equivalents balance, mainly due to the sale of Piazza Affari 2 in Milan announced on 30 June 2023. All financial metrics remain within covenants. Aggregate leverage ratio stood at 39.5% as at 31 July 2023, after repaying the old RCF from the proceeds of the Piazza Affari 2 divestment. 94% of the total debt book is now hedged or fixed.

The Manager recently entered into a new 5-year sustainability-linked revolving credit facility ("**RCF**") for an aggregate amount of €165 million. The signing of this RCF follows the recent full repayment of the existing facility in July 2023. The Manager also recently entered into a new 4-year sustainability-linked loan facility of €157.5 million to refinance the last of the FY 2024 debt, leaving CEREIT with no debt expiry until November 2025. Weighted average debt maturity stood at 2.5 years as at 30 June 2023 although this would increase to close to 3 years on the basis of the new facilities signed being fully drawn.

All-in interest rate is now c. 2.9%, compared to 2.38% as at 31 December 2022. For illustrative purposes, a 100 basis points ("**bps**") rise in interest rates may impact proforma DPU by ~2.4% or ~€0.38 cpu annualised (assuming that the new RCF was fully drawn down).

### Portfolio and asset management highlights

Overall portfolio occupancy stood at 95.4% as at 30 June 2023, largely supported by near-full occupancies in CEREIT's four core markets – the Netherlands, Italy, France and Germany, which account for about 75% of CEREIT's portfolio by value. Over the course of 1H 2023, the Manager secured or renewed a total of 103 leases covering 127,610 square metres ("**sqm**") of space at +5.9% blended reversions. Weighted average lease expiry ("**WALE**") for the overall portfolio held steady at 4.4 years. CEREIT's top 10 tenant-customers now account for only 28.2% of the portfolio's total headline rent derived from 842 tenant-customers in total, which reduces concentration risk and underpins income resilience. No single tenant-customer industry segment accounts for more than 16% of the portfolio.

CEREIT's light industrial / logistics portfolio occupancy continued to maintain an effective full occupancy of 97.9% as at 30 June 2023. A total 64,251 sqm in new leases and renewals were signed during the period at +6.9% rent reversion rate, taking the WALE for the sector to 4.9 years. Leasing momentum was maintained in Germany, Italy and Denmark, with one new 3-year lease at Naverland 8 in Glostrup, Denmark signed at +19.1% rent reversion during the period. However, the Manager expects some temporary decline in occupancy in the sector towards the end of the year as some logistics assets are still undergoing value-add AEIs and may take some time to fully lease out once completed.

CEREIT's office portfolio occupancy was 87.7% as at 30 June 2023, with an overall WALE of 3.6 years. The leasing team prioritised tenant retention (79% for 1H 2023) as economic conditions in CEREIT's key office markets slowed and market vacancy rates edged up to 8.8% in 2Q 2023, compared to 8.5% in 1Q 2023. About 60,000 sqm in new leases and renewals were signed at +5.7% rent reversion during the period, notably renewals for leases for up to seven years with existing office tenants at Finland, Poland and Italy.

## Good progress for current developments

The €15 million development of five new warehouse units and refurbishment of an existing building at Lovosice ONE Industrial Park I in the Czech Republic was completed in June 2023. It is currently about 46% pre-let, with full lease-up projected by end December 2023.

The €13 million development of 15,825 sqm in two new warehouse units, both extensions to existing Nove Mesto I and Nove Mesto III in Slovakia are already about 60% pre-leased with delivery expected in 3Q 2023 with full lease-up also projected by end December 2023.

CEREIT's first 10,000 sqm Grade A office redevelopment Nervesa 21 in Milan, Italy has already attracted leasing commitments from a major European communications MNC, a global entertainment company and a tech 'unicorn' for about 70% of its total lettable area six months ahead of completion. The Manager is confident that this premium, LEED platinum certified office space in the vibrant Porta Romana district in Milan will secure tenants for its remaining space. Construction of the €32 million project is on track and on budget for completion by 1Q 2024.

The Manager continues to advance planning stages for further logistics park and office rejuvenating projects in France, the Netherlands, Italy and Slovakia.

## ESG highlights

CEREIT is now one of only three S-REITs with a leading MSCI ESG "AA" rating. It also recently advanced one spot to claim the 7th place in the prestigious NUS Business School's Singapore Governance and

Transparency Index, retaining its place in the top 10 for the fourth year in a row and achieving the second-highest base score. This serves as a testament to CEREIT's strong governance culture and processes.

2022 portfolio-level environmental performance highlights from the fifth GRESB submission completed at the end of June 2023 show that the Manager is making good progress in the collection of its properties' GHG emissions and consumption data, with data now available for 86% of the portfolio by total floor area. CEREIT's total recorded absolute 2022 GHG emissions were 57,829 $tCO_2e$, down 5% compared to 2021, while GHG emissions intensity dropped 8% ($tCO_2e$/sqm). 35% of energy consumed across the portfolio was renewable or low carbon. 92% of recorded waste was recycled, with less than 3% diverted to landfill, highlighting the benefit of Cromwell's asset management expertise.

### Economic commentary

Oxford Economics estimates that Eurozone's GDP rose 0.3% sequentially in Q2 and expects weak growth to continue throughout the rest of this year. It now forecasts GDP to grow by 0.6% this year and 1.1% in 2024.

Eurozone inflation fell to 5.5% y-o-y in June 2023, 60 bps lower than May 2023. Core inflation edged up to 5.4% and is likely to only fall at a very moderate pace given the strength of price pressures in the services sector.

The ECB hiked interest rates by 25 bps in May / June 2023 and maintained the same pace in July 2023 to reach 3.75%. Oxford Economics now expects a further 25 bps hike in September and subsequently a pause until next spring before the ECB gradually eases its policy, leading to improved economic conditions in 2024 and beyond.

### Market commentary

In the European logistics sector, leasing activity continued to be strong, supported by e-commerce and supply chain investments. Rents continued to rise, although at a slower pace, most recently 4% on average as compared to the previous six months as occupiers are increasingly cost-conscious and impacted by inflation. Vacancy rates continue to remain at a record low of 2.3% across CEREIT's logistics markets.

Office vacancy and take-up rates showed a slight decline as compared to the previous six months across CEREIT's key office markets, as economic conditions moderate. Rent values and space take up continue to grow for well-located Grade A assets, even though occupiers are taking less space overall. Grade A market vacancies in CEREIT's key cities remain tight at 3.5% compared to the higher 8.8% across all grade office space.

Post COVID - 19, according to JLL, the trend of tenants' moving away from Grade B / C and business park assets now sees less than 33% of new European office leases in the lower grade stock, compared to closer to 45% pre- COVID-19. Occupiers prefer the more energy- efficient and higher quality staff amenities of Grade A and this is consistent with CEREIT's own portfolio skew to A grade Dutch office assets.

### Outlook

Mr. Garing concluded, "We are proactively taking steps to address the complex set of market issues arising from falling asset values, rate hikes, inflationary pressures and slowing economic growth – which all have an impact on S-REIT sector pricing.

"CEREIT has reached an overall 51% majority weighting to light industrial / logistics sector which provides higher income growth and offsets the impact from higher interest rates, leading industrial S-REITs to trade on premiums to the office REITs. We have today reported leverage at 39.5%, within the Board policy range of 35-40% and providing ~€500 million headroom to MAS limits without an expensive equity raise, at a time when investors are also seeking S-REITs with conservative balance sheets.

"We continue to progress further divestments to guard against the potential impact to valuations from slowing economic growth and rising interest rates and to enable the funding of our ongoing AEI and asset rejuvenation programme. While these may have a short-term impact on DPU, the risk-return profile of CEREIT's portfolio is expected to continue to improve and provide a more sustainable footing over the medium to long term.

"CEREIT's annualised 10% DPU yield and 35% discount to NAV / unit at today's price compares favourably to the 7% DPU yield and 4% discount to NAV / unit[3] the S-REIT logistics / industrial sector is currently trading at. We are confident in the medium to longer term cyclical recovery and will be well-placed with Cromwell's teams on the ground to take advantage of our competitive position when markets stabilise."

**END**

## 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 €2.4[4] billion portfolio comprises 110+ predominantly freehold properties 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[5], a real estate investor and manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

## INVESTOR AND ANALYST ENQUIRIES


**Cromwell EREIT Management**

Elena Arabadjieva
Chief Operating Officer & Head of Investor Relations
+65 6817 9589
elena.arabadjieva@cromwell.com.sg

Dimas Ardhanto
Manager, Investor Relations
+65 6920 7539
dimas.ardhanto@cromwell.com.sg


## MEDIA ENQUIRIES


**SEC Newgate Singapore**

Sylvia Lee
Director
sylvia.lee@secnewgate.sg

Eunice Lim
Consultant
eunice.lim@secnewgate.sg


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1 As at 31 July 2023
2 Adjusted for absence of income from assets under development, i.e. Nervesa 21 in Milan and Maxima in Rome
3 Data: Factset, Bloomberg as at 31 July 2023
4 Including Viale Europa 95 in Bari, Italy, which has been classified as asset held for sale in June 2023
5 Cromwell Property Group is a stapled group comprising Cromwell Corporation Limited and Cromwell Diversified Property