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Cromwell European REIT 1Q 2024 business update reflects a stabilising European market

- Like-for-like NPI up 5.0%[1], with 93.4% occupancy
- Strong +9.2% 1Q 2024 portfolio rent reversion with long WALE at 4.8 years
- NAV €2.08/unit and 39.7% net gearing with no debt maturing in the next two years

	1Q 2024	1Q 2023	Variance
Gross Revenue (€'000)	53,278	54,774	(2.7%)
Net Property Income ("NPI") (€'000)	32,732	33,645	(2.7%)
Income Available for Distribution to Unitholders (€'000)	19,710	21,942	(10.2%)
Indicative Distribution Per Unit ("DPU") (Euro cents)	3.505	3.902	(10.2%)

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 business update for the first quarter ended 31 March 2024 ("1Q 2024").

Introduction

The Manager's Chief Executive Officer, Mr Simon Garing, commented: "We are pleased to start 2024 with another quarter of resilient performance for CEREIT, as the underlying quality of the core portfolio shines through with 9.2% positive rent reversion and 93.4% occupancy.

"1Q 2024 like-for-like NPI growth was +5.0%, leading to a first-quarter indicative DPU of 3.505 Euro cents, 10.2% lower than pcp. The decline was mainly due to the higher finance costs as we transition to a world of higher interest rates. We remain ahead in our disposal program and maintain net gearing below 40%, with no debt maturing until November 2025. The €2.08 NAV/Unit is approximately 40% higher than CEREIT's SGX most recent trading unit price.

"The strategic pivot to logistics and light industrial is progressing well, with the portfolio now weighted to a more significant 53% in this sector. CEREIT continues to benefit from the low European logistics market vacancies, which stand at a mere 2.9%. We delivered +5.0% positive rent reversion in this sector in the quarter, despite Europe's recent relative cyclical economic weakness[2]. The major industrial lease in the period was a 20-year renewal to a 6,800 sqm data centre tenant-customer in Copenhagen.

"I am especially pleased with CEREIT's office sector performance. We achieved 89% office tenant retention and maintained occupancy at approximately 90% due to our ESG / energy savings strategies and strong tenant relationships. Rent reversion growth reached +10.3%, driven by the new leases at the Nervesa21 redevelopment in Milan at significantly higher rents. This rent growth validates our strategy to redevelop older, well-located office assets into highly efficient modern buildings with excellent ESG credentials.

"We also renewed CEREIT's largest tenant-customer lease for a further five years, taking their expiry out to 2030 while we finalise an exciting asset enhancement project with them.

"The office portfolio WALE extends to 4.5 years, the longest in three years (up from a low of 3.6 years), and the overall portfolio WALE to 4.8 years. This longer WALE and reduced expiry risk in the short term provides investors greater income certainty and supports higher valuations."

Financial highlights

NPI declined moderately by 2.7% compared to the prior corresponding period ("pcp") to €32.7 million for 1Q 2024, primarily due to divestments (Bari Europa, Bari Trieste and Piazza Affari), which impacted NPI by €2.3 million compared to pcp. Otherwise, like-for-like asset NPI was up 5.0%. Net taxes and expenses were slightly lower, while net finance costs were up 20.4%, primarily due to a higher average quarter interest rate of 3.04% vs 2.41% pcp. 1Q 2024 income available for distribution fell 10.2% versus pcp to €19.7 million, as 1Q 2024 indicative DPU was 3.505 Euro cents (10.2% lower versus pcp). No payout of CEREIT's €31 million realised capital gains is assumed.

Capital management highlights

No significant new capital management initiatives were undertaken in 1Q 2024, with no debt expiring until November 2025. This followed a highly active FY 2023, where the Manager completed approximately €492 million of debt refinancing and a partial €50 million bond buyback. Aggregate leverage increased slightly to 41.3% due to the recent drawdown on the RCF to primarily fund capex. However, net gearing remained below 40% (at 39.7%) as of 31 March 2024, with €64 million held in cash.

86% of CEREIT's total debt book was hedged/fixed as at 31 March 2024. CEREIT's all-in interest rate stood slightly higher at 3.28% as at 31 March 2024, compared to 3.19% a quarter ago, while the interest coverage ratio was 3.6x, well above the covenants for the Euro Medium-Term Note.

NAV/Unit (including distributable income) was down slightly at €2.08/unit due to the 2H 2023 distribution being paid out. NAV excluding distributable income was flat at €2.04/Unit.

Portfolio management highlights

CEREIT's weighted average lease expiry ("WALE") improved to 4.8 years, the longest in three years. Tenant retention was 73.9%, while rent reversion was high at +9.2% in 1Q 2024 (including Nervesa21's new leases). Overall portfolio occupancy was 93.4% as at 31 March 2024, which includes, for the first time, the recently completed three new projects in Milan, Lovosice and Novo Mesto, accounting for almost 1% of the latest vacancy. The Manager expects occupancy to increase to 94- 95% once the recently completed developments are fully leased up.

CEREIT's logistics / light industrial portfolio occupancy was 94.5% as at 31 March 2024, as some recent vacancies in Denmark and new and not yet fully leased developments in Czech Republic and Slovakia contributed to the temporary rise in vacancy. Leasing activity remained muted, with only 2.1% of the portfolio (26,073 sqm) leased up in 1Q 2024 although 5% growth in rent reversion reflected the portfolio's quality against the softer economic environment.

CEREIT's office portfolio occupancy was 89.7% as at 31 March 2024, stabilising to approximately 90% for the second quarter in a row, with occupancy expected to increase to 90.3% with the imminent full lease-up of Nervesa21. Leasing activity in the office sector was stronger, with 9.1% of the office portfolio (44,732 sqm) in new leases and renewals signed at +10.3% rent reversion (including new leases at Nervesa21 compared to the previous occupier's rent). New office leases for five to ten years were signed in the Netherlands, while leasing outcomes in selected Grade B office buildings improved.

Asset recycling and redevelopments

Two years ago, the Board initiated a €400 million asset sales programme as a proactive measure to offset the impact of rising interest rates on gearing. CEREIT is ahead of schedule, having embarked on the divestment programme early. From the beginning of 2022 to end 1Q 2024 the Manager divested nine assets in Germany, Finland, France, Italy and Poland for a total of ~€253 million at a blended 14.2% premium to the most recent valuations. In 1Q 2024, Grojecka 5, Poland, was sold on 28 March

2024 for €15.86 million, 7.5% above the most recent valuation. In late April 2024, two more assets – one in Italy and one in Finland – were divested for at a total price of €7.2 million at a blended 2.1% premium to the latest valuations.

In total, €260.5 million (11 assets) were divested from 2022 to present date, at a blended 13.8% premium to the most recent valuations, with another €150 million or so to be sold by end 2025, albeit at a slower pace. The Manager intends to use divestment proceeds for the partial repayment of CEREIT's debt facilities and for funding redevelopments and asset enhancement initiatives.

Outlook

The Manager's Chief Executive Officer, Mr Simon Garing, added: "European real estate sector supply/demand fundamentals support continued NPI growth, which we expect will partly offset the transition to higher borrowing costs. Flash PMI data released by Oxford Economics has shown signs that the eurozone economy is stabilising, as the PMI composite index improved to 51.4 to reach an 11-month high, while March CPI print of 2.4% supports the bond market pricing for ECB rate cuts later this year. The latest Colliers analysis highlights that capital values in logistics increased slightly in 1Q 2024 across most of CEREIT's markets, with office valuations already significantly adjusted, while CBRE forecasts a pick up in real estate transaction volumes as sentiment turns more positive.

"We are focused on maintaining DPU as high as possible to support the unit price with the underlying distribution yield of close to 10%[3], which compares favourably to the average S-REIT yield of c. 6.8%. Since the beginning of the downturn in 2022, we have prioritised divestments to reduce debt/gearing, which is less impactful on DPU than raising equity.

"Our three top priorities for the rest of the year remain: (1) focusing on active asset management of the existing portfolio to maintain high occupancy and drive rental income growth, (2) managing the November 2025 bond maturity, and (3) executing further divestments of non-strategic assets to recycle into accretive our next phase of AEIs."

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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 logistics/light industrial and office sectors. CEREIT currently targets a majority investment weighting to the logistics/light industrial sector while also investing in core office assets in gateway cities. CEREIT strives to be a resilient, ethical, and socially responsible organisation that contributes positively to all stakeholders, leading to higher risk-adjusted returns while maintaining an appropriate capital structure.

CEREIT's €2.2 billion portfolio comprises 100+ 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 1.8 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, a real estate investor and fund manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

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1 Like-for-like NPI excludes FY 2023 divestments, Nervesa21 & Maxima due to redevelopment and strip out works respectively
2 Source CBRE 4Q 2023; average quarterly logistics vacancy rate and market rent growth covers all eight of CEREIT's countries with exposure to logistics
3 Calculated based on the annualised 1Q 2024 DPU divided by the closing CEREIT Unit price of €1.46 price on 22 April 2024