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CROMWELL EUROPEAN REIT CLOSES 2024 WITH STRONG LEASING MOMENTUM





- More than 78,000 square metres of leases signed or renewed across five major leases in the Netherlands, United Kingdom, Germany and Denmark
- CEREIT's FY 2024 portfolio occupancy rate is on track to be kept above 93%

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the "Manager") of Cromwell European Real Estate Investment Trust ("Cromwell European REIT" or "CEREIT"), is pleased to announce continuing strong leasing momentum, headlined by five major leases at a total of more than 78,000 sqm secured across the Netherlands, United Kingdom, Germany and Denmark in the fourth quarter of 2024.

The Manager's Chief Executive Officer, Mr Simon Garing, commented: "We are pleased to close a very productive 2024 by securing five major leases with new and existing tenant-customers across both logistics and office portfolio in four countries. With these newly secured leases, CEREIT is on track to keep its portfolio occupancy rate above 93% and further build on CEREIT's 3Q 2024 tenant retention rate of more than 70% with a diversified and quality tenant roster of more than 800 companies.

"One of CEREIT's key strengths is that it is supported by more than 200 experienced on-the-ground team members across Europe, whose deep local connections and strong network are key enablers of consistent leasing success. Our local presence allows us to tap into opportunities in local markets faster and enables us to work closely with our tenant-customers to fulfill their evolving needs for space as they grow. As an example, the asset management team in Denmark retained GMT Robotics as a key tenant by facilitating their move from one CEREIT asset to another due to their expanding space needs. In the UK, Thorn Lighting's lease extension coupled with asset enhancements allows the tenant-customer to consolidate its local operation into a single site while enjoying additional renewable energy feature.

"CEREIT's logistics portfolio continues to perform well and the strong leasing momentum in this segment validates CEREIT's pivot to logistics, with four of the five major leases secured being at logistics assets. With average logistics vacancy rates of only 3.8% in the countries CEREIT is in and 8.8% rent reversion in 3Q 2024, there is still further potential for growth in this segment as the portfolio is still slightly under-rented with passing rents 7.4% lower than market rents.

"Meanwhile in the office space, the availability of high-quality and green-certified buildings remains limited. As tenant-customers continue to target quality and good locations, CEREIT's office portfolio occupancy rate has been stabilising above 90% in the last five quarters with a high office tenant retention rate of almost 88% in 3Q 2024. CEREIT will continue with its targeted asset enhancement initiatives to further future-proof our office portfolio and work closely with our tenant-customers to help them achieve their sustainability goals.

Five major leases secured with new and existing tenant-customers

The first lease is a large office tenancy renewal at Bastion in 's-Hertogenbosch, the Netherlands, with Essent, a leading Dutch energy utility company, a subsidiary of the German E.ON Group. Essent is a long-term tenant in Bastion since 2006 and is renewing its lease for c. 18,500 sqm of office and storage space as well as c. 350 parking lots for 15 years from January 2025.

Bastion is a distinctive multi-tenanted building in the shape of a bastion with round towers and pointed roofs, an icon in the city landscape. It is well located, adjacent to Central Station in the city centre, with facilities such as shops, supermarkets, restaurants and hotels in the direct vicinity. The property can be easily reached by public transportation such as train or bus, and highways can be reached within minutes by car via several connecting roads. Other prominent larger tenant customers in Bastion include ASML and Movares. With Essent's lease renewal, the occupancy rate at Bastion will remain close to 100%, at 97%.

The second lease is at Thorn Lighting in Spennymoor in the United Kingdom with Thorn Lighting, a leading manufacturer of dependable, efficient and high-quality lighting solutions. The tenant-customer has signed a long tenancy extension for their existing 41,610 sqm lease from 2029 onwards, giving CEREIT more than fifteen years remaining lease term from June 2024. As part of the lease agreement, CEREIT will build a new adjacent warehouse on existing CEREIT land which will expand the property by approximately 5,157 sqm or an additional 12.4% of the built area. When completed, this expansion will allow Thorn Lighting to consolidate all its local operations into a single site from 2027 onwards. CEREIT will also be adding rooftop PV solar panels to the property in early 2025, so the tenant-customer can operate with renewable energy at this site. With this long lease extension, the occupancy rate for the property will remain at 100% till at least 2039.

Thorn Lighting is a large industrial distribution warehouse, located south of Spennymoor town centre. Prominent nearby logistics occupiers include Amazon, amongst others. The asset is well-connected to A688, linking to the A1 motorway that connects North and South of England, with the city of Durham just six miles away.

The third is a logistics lease renewal at Frickenhausen in Germany with Dropsa BM GmbH, a renowned global manufacturer and supplier of lubrication systems for machine builders with operations in Europe, North and South America, Australia, Asia and the Middle East. Dropsa is renewing 4,357 sqm lease or approximately 12% of the 37,155 sqm multi-tenanted asset for five years from September 2025 onwards, with no space handed back. With this lease, the occupancy rate for the property will remain high at around 94%.

Frickenhausen is a multi-tenanted property comprising of a single-storey warehouse complex with a two-storey office annex and a detached three-storey office building. It is well-located south of Nürtingen within the economically strong Stuttgart region.

The other two major logistics leases were secured in Denmark, with one at Priorparken 800 in Brøndby with GMT Robotics, an innovative robotic rebar (steel reinforcement) manufacturer and assembly solutions service provider. GMT Robotics has signed a 9,128 sqm lease for six years from December 2024. The lease comprises 1,600 sqm of office space and 7,528 sqm of warehouse space, representing almost two-thirds of the warehouse space of the property. GMT Robotics is relocating to Priorparken 800 from another of CEREIT's Danish assets due to increased space needs owing to business growth and expansion, a testament to the local team's deep tenant-customers relationships and ongoing efforts to provide creative space solutions while retaining them within CEREIT's portfolio. With this new lease, the occupancy rate for the property will be 100%, a substantial increase from the current sub-40%.

The next Danish lease is at Fabriksparken 20 in Glostrup with Cryptera, a Danish state-of-the-art security technology and payment solutions company with global customer base. Cryptera has occupied the property since 2014 and is renewing its 5,011 sqm lease for three years from January 2025, indicating the property's long-standing appeal and suitability for the company's operation. Fabriksparken 20 includes office space spread over two floors, a 3,000 sqm warehouse and a large 7,500 sqm paved outdoor area which currently is leased out to another tenant. This renewal will keep the occupancy rate for the property at 100%, demonstrating the asset management team's proactive asset management approach and the value of a strong long-term tenant relationship.

Priorparken 800 and Fabriksparken 20 are multi-tenanted properties comprising a combination of warehouse space and small office buildings. Priorparken 800 is in Brøndby and Fabriksparken 20 is in Glostrup, both conveniently located in the Greater Copenhagen area.

European market commentary

According to Oxford Economics, European GDP is expected to grow by 1.2% in 2025, driven by higher real disposable income and lower interest rates, geopolitical risks notwithstanding. Oxford Economics forecasts Eurozone inflation to fall below the ECB's 2% target next year and interest rates to drop to 1.75% by 3Q 2025, though growth benefits won't be felt until 2026 and are expected to vary across countries and sectors.

European logistics take-up in 3Q 2024 softened by 13% q/q to just over 5.3 million sqm according to JLL[1], reflecting slower economic growth, although numbers vary between markets. European weighted average vacancy rate rose to 5.1% in Q3, close to the 10-year average. Leasing activity remains just above the pre-pandemic average as modern space remains in short supply, keeping an upward pressure on prime rents. During Q3, prime rental growth rose to 2.1%, the strongest since Q4 2022, according to JLL.

In Germany, where CEREIT has more than 230,000 sqm of logistics space, 3Q 2024 take-up increased by 20% q/q, despite the softness in the automotive industry and 3PL demand. According to Savills[2], despite a decrease in take-up last year, rents for logistics space have continued to rise with prime rents across key markets increasing by 20% in the last three years, although this rate is now expected to slow.

In the United Kingdom, demand for logistics space remains robust across various geographic regions with market rents showing steady growth since 2020. According to Savills[2], prospects for rental growth remain strong despite notable rise in stock nationally, with positive trends in the diversification of occupier mix with manufacturing-related deals accounting for 29% of the market, the highest level since 2017.

In Denmark, the logistics market had not developed as fast as many of the neighbouring countries with supply mainly consisting of older stock, which led to some speculative developments of prime logistics assets further away from the greater Copenhagen area. The logistics vacancy rate nevertheless remains very tight at 3.6% in 3Q 2024 with a consistent decrease in vacancy rates over the past decade, reflecting Denmark's attractiveness as a logistics hub.

In the Netherlands, The Dutch office market is at the forefront of the global trend of rapid transformation driven by sustainability and evolving workplace dynamics. Vacancy rates vary across the country and stand at an average of 8.5% in 3Q 2024, but there is a bifurcation between high-quality offices with sustainability features in prime locations and less desirable properties in the periphery. High-quality buildings with strong sustainability credentials are increasingly preferred due to corporate ESG targets and the need for modern, flexible energy-efficient workplaces for tenants. The increasing emphasis on energy efficiency and sustainable practices underscores the necessity of future-proofing office portfolios to meet regulatory and market expectations.

Conclusion

Simon Garing added: "As we go to the new year, CEREIT will continue to focus on delivering value through active asset management, strong partnerships with our existing and new tenant-customers, and maintaining the appropriate capital structure to deliver sustainable income for our unitholders, supported by the upcoming strong dedicated European sponsor, Stoneweg."

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ABOUT CROMWELL EUROPEAN REIT

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 1.7 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.

INVESTOR ENQUIRIES

Cromwell EREIT Management Pte. Ltd.

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

Dimas Ardhanto
Investor Relations Manager
+65 6950 7190
dimas.ardhanto@cromwell.com.sg

MEDIA ENQUIRIES

SEC Newgate Singapore
Sylvia Lee
Associate Director
sylvia.lee@secnewgate.sg

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This announcement has not been reviewed by the Monetary Authority of Singapore.

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1 JLL European logistics market update, November 2024
2 Savills Independent market report, CEREIT 2023 Annual Report