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Cromwell European REIT Acquiring Three Freehold Light Industrial / Logistics Assets in Germany

- Acquisition is at competitive price of €38.0 million (approximately S\$57.0 million¹), 4.0% below independent valuation and at a 6.2% net operating income (“**NOI**”) yield²
- Each asset will be fully let for a term of 15 years, increasing CEREIT’s WALE³ profile from 4.6 years to 4.7 years
- Assets are well located in the cities of Pforzheim, Bretten and Königsbach-Stein, in the state of Baden-Württemberg, one of Europe’s leading economic regions

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the “**Manager**”) of Cromwell European Real Estate Investment Trust (“**Cromwell European REIT**” or “**CEREIT**”), today announced that CEREIT entered into a purchase agreement and lease agreements with subsidiaries of Felss Group GmbH on 19 December 2019 to acquire a portfolio of three light industrial / logistics assets in Germany (the “**Portfolio**”) under a sale and leaseback arrangement. The acquisition of the Portfolio is expected to be completed in February 2020, once the customary conditions precedent are satisfied.

The Manager’s Chief Executive Officer, Mr. Simon Garing, commented, “The Portfolio is underpinned by a 15-year lease to a leading German components manufacturer at a 6.2% NOI yield². We look forward to working with our new tenant-customer. The acquisition will increase CEREIT’s exposure to the attractive German property market and further demonstrates our on-the-ground teams’ ability to source assets with long leases and at attractive yields, funded by CEREIT’s current low all-in cost of debt of less than 1.5%. Our focus is to continue exploring opportunities in Europe to create further value for and enhance distributions to unitholders by optimising CEREIT’s portfolio and responsibly managing its capital.”

The Assets

The Portfolio consists of three freehold, light industrial / logistics assets totalling 29,734 square metres (“**sq m**”) of gross lettable area (19,016 sq m of warehouse space; 6,225 sq m of office space; and 4,493 sq m of other spaces) on sites totalling 48,131 sq m. The assets were constructed between 1973 and 2017 and refurbished between 2015 and 2017. They will be fully let to subsidiaries of Felss Group GmbH, a global market leader in cold forming steel technology and a leading manufacturer of machine tools and components, for a term of 15 years under lease agreements (with no break clause) concluded on a triple-net basis, pursuant to which the tenant-customer will be responsible for all required

capital expenditure works, including structural ones, if any, throughout the duration of the lease. The tenant-customer will provide a 12-month rental security under the form of either a deposit or a first demand bank guarantee.

The Portfolio assets are well-located in the cities of Pforzheim, Bretten and Königsbach-Stein, within Germany's third-largest state, Baden-Württemberg, and near the state's capital, Stuttgart. Baden-Württemberg is also one of the leading economic regions in Germany and Europe. It had a gross domestic product of €511 billion in 2018⁴ and an unemployment rate of just 3.1% as at November 2019⁵. It is home to many global companies like Bosch, Daimler, Porsche, SAP and German multinational industrial control and automation company Festo, as well as many successful and innovative small- and medium-sized companies. High levels of investments in research and development, the largest number of patents in Germany, and 88 universities across the state make Baden-Württemberg one of Europe's most innovative regions as well.

The Portfolio was independently valued by Cushman & Wakefield Debenham Tie Leung Limited ("**Cushman**") (commissioned by CEREIT) at €39.6 million (approximately S\$59.4 million¹), as at 19 December 2019, using the income capitalisation method, taking into account comparable market transactions.

The purchase consideration for the Portfolio is €38.0 million (approximately S\$57.0 million¹) (the "**Purchase Consideration**"), approximately 4% below the independent valuation and below estimated replacement costs. It was arrived at on a willing buyer and willing seller basis.

Rationale and Benefits

The Portfolio is being acquired at an attractive NOI yield² of 6.2%, as compared to CEREIT's existing portfolio's NOI yield² of just above 6.0%. The initial rent level under the lease agreements has been agreed within 3.0% of Cushman's estimates of market rent.

The assets are situated on freehold land and the acquisition of the Portfolio will increase CEREIT's exposure to Germany, with the size⁶ of its portfolio in the country rising to €157 million, up from €119 million as at 30 September 2019. Germany will then account for 7.4% of CEREIT's portfolio, up from 5.7%⁶ as at 30 September 2019.

The assets will provide CEREIT with strong, growing and long-term cashflow due to their 15-year, triple-net, 100% index-linked leases to subsidiaries of Felss Group GmbH. These long leases increase the WALE³ profile of CEREIT's overall portfolio from 4.6 years to 4.7 years, and the WALE³ profile of its light industrial / logistics portfolio from 4.3 years to 4.8 years.

Funding and Financial Effects

The total cost of the acquisition is estimated to be approximately €40.9 million (approximately S\$61.4 million¹), comprising the Purchase Consideration, the acquisition fee payable to the Manager in cash, as well as professional and other fees and expenses in connection with the acquisition (which includes real estate transfer tax, but excludes recoverable value-added tax). It will be funded by drawing on CEREIT's revolving credit facility.

The acquisition is not expected to have any material effect on CEREIT's net tangible assets.

Other Information

Based on the relative figures as computed on the bases set out in Rule 1006 of the listing manual of Singapore Exchange Securities Trading Limited (the "**Listing Manual**"), the acquisition of the Portfolio is a "Non-Discloseable Transaction" within the meaning of Rule 1008 of the Listing Manual.

The Portfolio

BRETTHEN ASSET



PFORZHEIM ASSET



KÖNIGSBACH-STEIN ASSET



ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European REIT is a real estate investment trust (“REIT”) with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Europe that are used primarily for office, light industrial / logistics, and retail purposes. With a portfolio of 103 properties as at the date of this announcement in or close to major gateway cities in Denmark, Finland, France, Germany, Italy, the Netherlands as well as Poland, and a balanced focus on the office and light industrial / logistics sectors, it is also the first REIT with a diversified Pan-European portfolio to be listed on Singapore Exchange Securities Trading Limited.

As at 30 September 2019, CERET’s portfolio has an aggregate lettable area of approximately 1.5 million sq m with close to 1,000 tenant-customers and a WALE profile of around 4.6 years. Comprising primarily freehold or ongoing leasehold assets, the portfolio has an appraised value of approximately €2,082 million as at 30 September 2019.

CERET is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CERET’s sponsor, Cromwell Property Group⁷, a real estate investor and manager with operations in 15 countries, listed on the Australian Securities Exchange Ltd.

MEDIA ENQUIRIES

Cromwell EREIT Management

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

Newgate Communications

Bob Ong
Associate Director
+65 6532 0606
bob.ong@newgatecomms.com.sg

Amira Sadiran
Senior Consultant
+65 6532 0606
amira.sadiran@newgatecomms.com.sg

Cherie Hui
Executive
+65 6532 0606
cherie.hui@newgatecomms.com.sg

¹ Based on exchange rate of €1:\$1.50.

² NOI Yield is calculated as the year 1 net operating income pre asset management fees divided by the purchase price excluding transactions costs incurred in connection with the acquisition

³ **“WALE”** is defined as weighted average lease expiry by headline rent based on the final termination date of the agreement (assuming the tenant-customer does not terminate the lease on any of the permissible break date(s), if applicable). WALE is as at 30 September 2019.

⁴ Source: www.cecidata.com

⁵ Source: www.statistik-bw.de

⁶ By valuation of CERET’s existing portfolio of 103 assets as at 30 September 2019; 97 properties valued as at 30 June 2019 and the six properties acquired in July and September 2019 recorded at purchase price.

⁷ Comprising Cromwell Corporation Limited and the Cromwell Diversified Property Trust (the responsible entity of which is Cromwell Property Securities Limited).