CROMWELL EUROPEAN REIT

RESULTS PRESENTATION

FOR THE FOURTH QUARTER AND FULL YEAR
ENDED 31 DECEMBER 2019

Economic and Real Estate Country Update Supplement

25 February 2020

CROMWELL
EUROPEAN REIT

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All figures in this presentation are as at 31 December 2019 and stated in Euro ("**EUR**" or "**€**"), unless otherwise stated

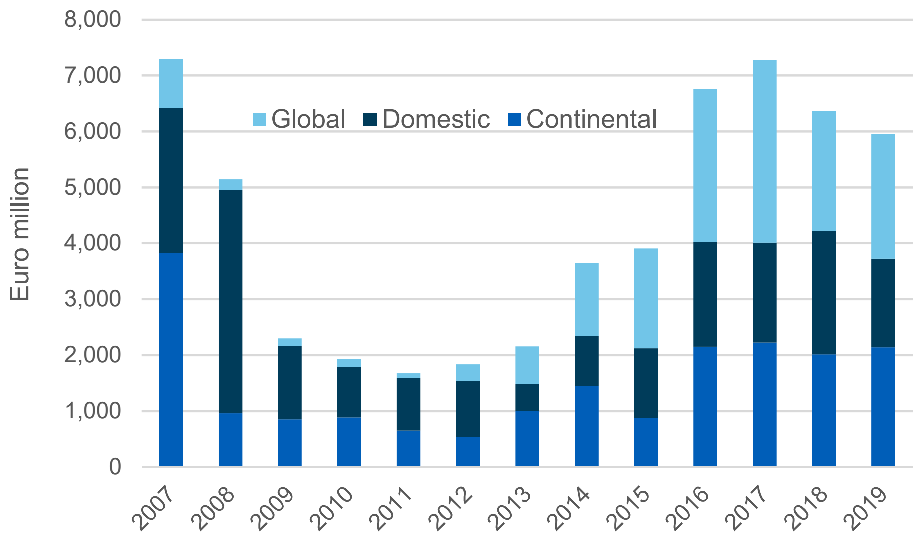
1. "**p.p.**" refers to percentage points, and "**b.p.**" refers to basis points
2. "**dpu**" refers to distribution per unit
3. "**cpu**" refers to cents per unit
4. "**Q-on-Q**" refers to quarter on quarter
5. The CEREIT Prospectus dated 22 November 2017 ("**Prospectus**") disclosed a profit projection for the period from 1 January 2019 to 31 December 2019. "**IPO Forecast**" refers to the interpolation of this projection for the relevant period adjusted for the issuance of 600,834,459 new Units in December 2018 (the "**Rights Issue**") where applicable
6. "**1Q 2019**" refers to the period from 1 January 2019 to 31 March 2019; "**2Q 2019**" refers to the period from 1 April 2019 to 30 June 2019; "**1H 2019**" refers to the period from 1 January 2019 to 30 June 2019; "**FY2019**" refers to the period from 1 January 2019 to 31 December 2019
7. "**pcp**" refers to the prior corresponding period; "**1H 2018**" refers to the period from 1 January 2018 to 30 June 2018

The Netherlands – Office Market Outlook

Real Estate Market

- A scarcity of quality space continues to characterise the Dutch office sector as a substantial amount of older stock has been withdrawn from the market in recent years and converted into alternative uses such as hotel and student accommodation.
- Vacancy rates are at their lowest since the financial crisis particularly in major cities and around key transport hubs – Amsterdam's Zuidas district is 1.5%, while Rotterdam's CBD is 9.7% having declined dramatically from 17.4% in recent times.
- Low quality space is still vacant as occupiers continue their flight-to-quality, but this presents opportunities for the repositioning of older assets, to then benefit from rental uplifts. Larger floorplates in particular, are very limited in the CBD's of key Tier I and II cities and along Amsterdam's South Axis where only 423,500 sq.m is currently available (5.8% vacancy).
- 2019 was a stellar year for the Dutch investment market with €22.1 billion in transactions. The office sector recorded inflows of almost €6 billion (a 27% market share), marginally down on 2018 due to the lack of available product. While domestic investors are the most active, they are competing with US, UK and Germany money. Additionally, South Korean capital has re-emerged, targeting offices in Amsterdam.
- Investors remain highly interested in (newly built) offices which is resulting in a willingness to pay even higher prices. But, in a market where the majority of core assets in large cities are taken, more and more capital is being allocated to the regional cities. In 2019, no fewer than 70% of all transactions in the investment market took place outside the major cities, in such places such as Eindhoven, Deventer and Groningen.

Office Volumes by Capital Source



Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	1.7%	1.3%	↘
Industrial Production	-0.8%	0.7%	↗
Consumer Prices, average	2.6%	1.2%	→
Population (millions)	17.32	17.40	↗
Population Growth Rate	0.49%	0.47%	↗
Unemployment Rate	4.3%	4.3%	↗

Annual % change unless specified

- GDP growth held up well at 1.7% in 2019. Domestic demand is a key driver and will go someway to offsetting global headwinds and the slowdown in the Eurozone.
- The labour market remains very tight falling to 4.1% in December, providing some resilience for the economy. In parallel, wage growth hit a high of 2.8% y/y.
- Sentiment in the construction sector recovered a little after falling as the government announced a halt on 18,000 sites as an emergency measure to reduce nitrogen emissions.

Outlook

- 2020 may see trading volumes slow a little as there is a limited number of core assets coming to the market with many being held by long-term institutional money. Under the weight of capital competing for core assets, prime yields fell 25 bps over 2019 to 3.00%, compressing 75 bps to 4.00% for good quality assets in secondary markets and regional cities closing 2019 at 5.00%.
- Strong demand is evident for office space at well-connected locations such as railway and transit hubs. But, with limited development in these strategic areas and limited large new office schemes due to complete in 2020, developers and investors are focusing on the expansion of existing stock and/or the renovation of outdated ones.
- Office based employment is rising at a faster pace than the job market as a whole so further rental growth is a real possibility as vacancy gets squeezed further. Furthermore, as the war to attract and retain talent continues, flexible, high-quality office has is a key weapon for corporates and new space needs to meet the demands of the modern worker.
- The scarcity of supply in prime locations and upswing in rents and has seen companies look to alternate, secondary locations such as Hoofddorp, Amsterdam Zuidoost (Southeast) and key regional cities to satisfy their accommodation needs, resulting in rising demand, falling vacancy and increasing rents in these secondary locations too.

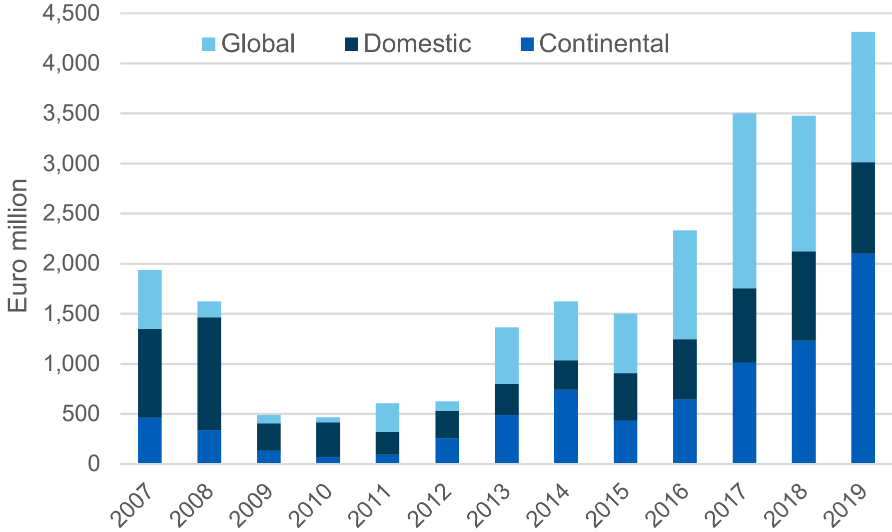
Sources:
Real Capital Analytics – data as at 29 January 2020
CBRE - Real Estate Outlook 2020 The Netherlands
Oxford Economics - Country Economic Forecast The Netherlands 17 January 2020
Bouwinvest – Dutch Real Estate Market Outlook 2020 - 2022

The Netherlands – Light Industrial / Logistics Market Outlook

Real Estate Market

- Demand for logistics space reached an all time high in 2018 with 2.3 million sq.m of take-up. 2019's performance was very strong as well, marginally behind with 2.2 million sq.m of leasing activity but this was due to the dearth of quality space rather than demand levels.
- Nationwide vacancy is very low at 4.33%, despite an uptick in new developments completing in 2019, which added 2.6 million sq.m to stock, triple the average annual increase in the previous ten years.
- E-commerce is undoubtedly a key driver of the occupational market with both domestic and international occupiers attracted by the favourable business climate, good geographical location and excellent infrastructure. There is pent up demand along the supply chain from large distribution centres to urban logistic sites, but this is coming up against limited land plots for development and a scarcity of the right labour pool.
- 2019 broke records for the amount of capital invested into the industrial sector with €4.3 billion worth of deals closing, 24% more than 2018 which was in itself one of the strongest years on record. Prime logistics yields have compressed by 45 bps over the last twelve months to 4.00% as the weight of capital looking for opportunities in the sector outweighs availability of product. Some investors, looking for higher yielding opportunities are shifting their attention to either Tier II locations or older schemes that need repositioning.
- 79% of all 2019 deals involved foreign capital, of which 49% was European and 30% truly global. Investors from the US, the UK and Germany were particularly active, with South Korean capital leading the charge from the Asia Pacific region.

Industrial Volumes by Capital Source



Economy

Indicator	2019	2020f	2021 Outlook (vs 2020)
GDP Growth	1.7%	1.3%	↘
Industrial Production	-0.8%	0.7%	↗
Consumer Prices, average	2.6%	1.2%	→
Population (millions)	17.32	17.40	↗
Population Growth Rate	0.49%	0.47%	↗
Unemployment Rate	4.3%	4.3%	↗

Annual % change unless specified

- GDP growth held up well at 1.7% in 2019. Domestic demand is a key driver and will go someway to offsetting global headwinds and the slowdown in the Eurozone.
- The labour market remains very tight falling to 4.1% in December, providing some resilience for the economy. In parallel, wage growth hit a high of 2.8% y/y.
- Sentiment in the construction sector recovered a little after falling as the government announced a halt on 18,000 sites as an emergency measure to reduce nitrogen emissions.

Outlook

- 2020 could prove to be a challenging year for Dutch real estate as much needed new developments and potentially the transformation of older stock will be held back as new regulation to combat nitrogen pollution comes into effect. Construction permits will take longer to be issued with some projects delayed while others may be cancelled due to the new regulation.
- Supply therefore remains under pressure and not all active requirements will be met, which in turn has pushed up rents to €87.50/sq.m/year for prime logistics in Amsterdam. Rotterdam also recorded 3.8% rental growth over the quarter to €67.50, alongside 5.0% in Venlo to €52.50/sq.m/year.
- Leasing activity will remain robust over the course of 2020 as much of the current stock does not meet the rapidly changing needs of occupiers who are faced with the challenge of adapting their logistics networks to a changing supply chain as the volume of online purchases increase and consumers demand every shorter delivery times.
- This will focus minds on fulfilment centres located close to populous, urban areas. Within the Amsterdam Metropolitan Area (MRA), the markets of Almere with its seaport access, and Schiphol with its airport, are desirable logistics locations. Demand for modern, well-located distribution centres with quick and easy access to the road network will rise.

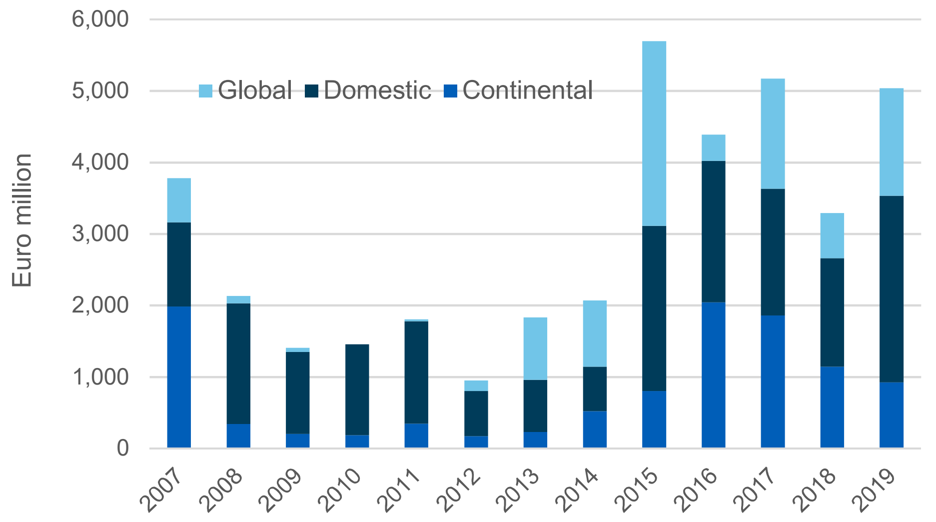
Sources:
Real Capital Analytics – data as at 29 January 2020
CBRE - Real Estate Outlook 2020 The Netherlands
Oxford Economics - Country Economic Forecast The Netherlands 17 January 2020
Bouwinvest – Dutch Real Estate Market Outlook 2020 - 2022

Italy – Office Market Outlook

Real Estate Market

- Leasing activity reached 124,000 sq.m in Milan, bringing the year's total to 482,000 sq.m – an all time record for the city. Business Services was a key driver of activity (33%) and a recovery in Manufacturing and Consumer Services & Leisure helped to boost total take-up. Milan's vacancy is 10% despite completions of 67,000 sq.m in 4Q as the majority of completions were pre-let.
- In Milan, despite a further 190,000 sq.m due to complete in 2020, with over half already pre-let no significant change in availability is anticipated. The continued pressure on centrally located space has seen headline rents rise to €600/sq.m/year.
- Occupier activity in Rome was slower in 4Q than previous quarters, but the 24,000 sq.m of take-up boosted the annual level to 272,000 sq.m – the best on record. This was achieved by a handful of large deals. There is about 128,000 sq.m under construction and due to complete by the end of 2021 – the bulk is frontloaded and due in 2020.
- €5 billion was invested into the Italian office market in 2019 making it one of the better performing years since records began, boosted by the exceptional 4Q level of activity. There was a clear focus on the country's two key cities of Milan with 66% of deals taking place here and Rome accounting for 25%.
- With strong competition from domestic and international buyers, prime yields have moved by 10 bps over the last twelve months to 3.30% in Milan and 20 bps to 3.70% in Rome at 4Q. US, Singaporean and German capital is active alongside Italian investors.

Office Volumes by Capital Source



Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	0.2%	0.3%	↗
Industrial Production	-1.0%	-0.3%	↗
Consumer Prices, average	0.6%	0.7%	↗
Population (millions)	60.27	60.15	↘
Population Growth Rate	-0.21%	-0.21%	↘
Unemployment Rate	10.0%	9.8%	→

Annual % change unless specified

- With only 0.2% GDP expansion anticipated for 2019, the lack of substantial growth is a challenge for the current PD-Five Star government because it will dampen fiscal revenues and test the fragility of the governing coalition.
- 2020 should see a moderate uptick in growth thanks to relatively stronger domestic demand and a slight recovery in industrial activity.
- Weak external demand, lacklustre investment activity, and muted productivity and wage growth will weigh on the economy.
- A volatile political environment and the troublesome fiscal position further clouds the outlook.

Outlook

- The healthy performance of the real estate market in Italy is expected to continue in 2020 despite the sluggish economy. However, year-end totals are not expected to reach the record-breaking levels seen in 2019 as some large requirements have been satisfied and less investable quality stock is released for sale.
- Milan, and to a lesser extent, Rome remain the target areas for both occupiers and investors. In particular, sustained demand is expected for good quality stock in well-connected areas.
- Good secondary locations, that will open up with infrastructure developments have also seen sustained levels of investor interest, albeit from a low level and yields here have fallen as well to around 4.80% in Milan. Levels have held firm in major provincial cities at around 7.00%.
- However, while gross take-up should hold up, there are a number of active requirements that will result in replacement of space rather than new entrants to the market and vacancy remains in double digits in both cities.
- Areas with lower vacancy are still expected to see some, albeit marginal, growth over the next twelve months. This will be crucial to investor decisions as yields are at historic lows so growth will most likely come from rental growth rather than rising prices.

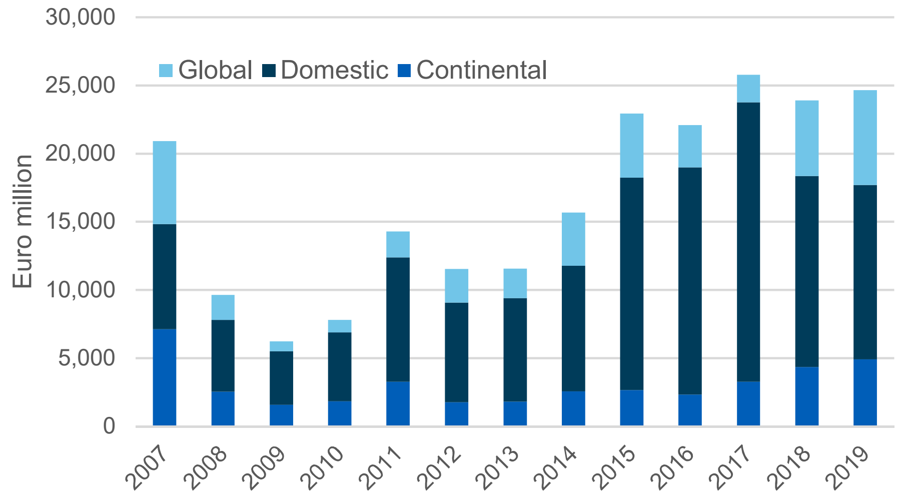
Sources:
CBRE – Milan & Rome Marketview 4Q 2019
Real Capital Analytics – data as at 29 Jan 2020
Oxford Economics – Country Economic Forecast Italy 8 Jan 2020

France – Office Market Outlook

Real Estate Market

- 2019 got off to a slow start but activity picked-up as the year progressed with 690,000 sq.m of take-up in 4Q, bringing total occupier activity in 2019 to 2.4 million sq.m in the Greater Paris Region. This was down 9% on 2018 with activity hindered by the lack of supply, but it was 5% above the 10-year annual average.
- Paris remains in demand, but the severe shortage of available space has affected take-up levels in 2019 that reached 840,000 sq.m, down 20% compared to 2018. There is increasing interest in the suburbs that will benefit as the hubs of the Grand Paris Plan evolve and new stock is developed. Other major cities are also showing good leasing take up.
- €8.5 billion was invested into the office sector in 2019 – the strongest performance of the year by far, and brings the year's total to €24.6 billion and well above the 10-year annual average for the office sector of €18.0 billion.
- The Greater Paris Region continues to exert its dominance on the French investment scene with 88% of all 2019 deals taking place in the region, as it offers a breadth and depth of occupiers and potential for further rental growth. Lyon is the most significant of the regional markets (5% of deals), followed by Lille (2%), with Marseille (1%) rounding out the third spot.
- South Korean capital has been behind some of the biggest transactions in the Greater Paris Region in 2019, accounting for 29% of foreign investment volumes, compared with barely 3% in 2018, and were ahead of the Germans and the British. Unlike the Americans, the South Koreans' appetite is almost exclusively for Core and large office complexes in Paris and the main office sectors of the western Greater Paris Region.

Office Volumes by Capital Source



Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	1.3%	1.2%	↗
Industrial Production	0.6%	-0.4%	↗
Consumer Prices, average	1.1%	1.2%	↗
Population (millions)	67.09	67.25	↗
Population Growth Rate	0.18%	0.24%	↗
Unemployment Rate	8.3%	8.1%	↘

Annual % change unless specified

- French GDP growth for 2019, at 1.3%, is relatively positive despite slower conditions is some areas of Europe.
- Household spending is the main reason for growth as the unemployment rate fell in Oct and consumer confidence reached a 5-year high in November, before falling in December.
- Government plans to pass pension reforms has caused concern and the re-emergence of social tensions could threaten outlook as country-wide strikes continue, weighing on household spending in 2020.
- However, private consumption strengthens due to tax cuts, rising wages and low unemployment.

Outlook

- Demand from large occupiers for new, redeveloped office space will continue apace, reflecting the importance companies are placing on the efficiency and quality of their space and thus a high proportion of the pre-lets is expected to continue in 2020.
- The Greater Paris vacancy rate is 5% - the lowest since 2008 – but there are submarket variations. The limited number of speculative deliveries and volume of active requirements has eroded supply in the Inner Paris market where vacancy is just 2.1%. With a restrained pipeline in the submarket this is not expected to change.
- With investors willing to accept lower yields, demand has ballooned especially for quality assets in Paris. Given the weight of active capital waiting on the sidelines there is potential for yields to go even lower – possibly to around 2.70% - by the end of 2020.
- Monetary policies remain accommodating for the time being with the ECB not changing its strategy since Christine Lagarde took over as head of the institution. In 2020, as in recent years, the real estate sector will therefore benefit from the low interest rate context.
- Investors are drawn to core and core + product with the Centre West and Inner Rim submarkets of Paris of particular focus. Given limited supply, some investors are opting for refurbishment projects in order to capitalise on potential rent uplifts.

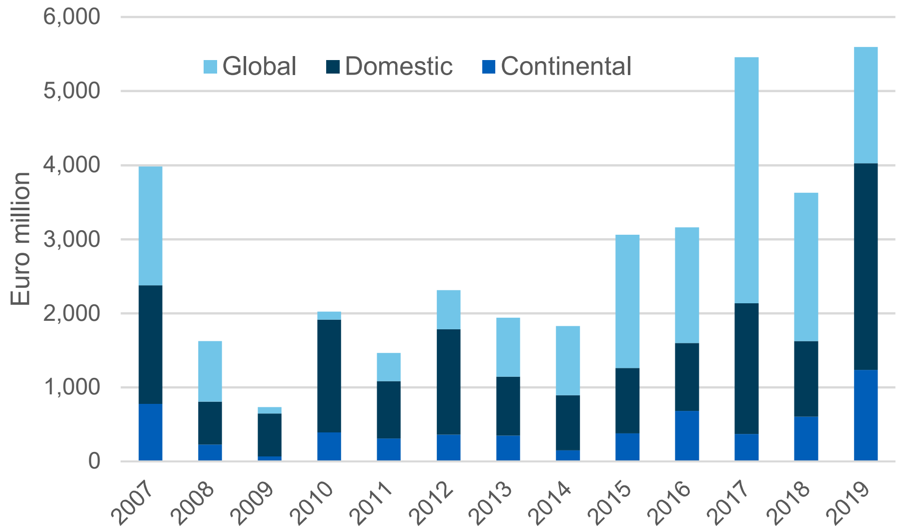
Sources:
Real Capital Analytics – data as at 29 Jan 2020
Knight Frank – Review 2019 Outlook 2020 French Property Markets
Oxford Economics – Country Economic Forecast France 16 Jan 2020

France – Light Industrial / Logistics Market Outlook

Real Estate Market

- 2019 was a good year for French logistics, with the occupier market showing resilience despite slowing as 2019 drew to a close. Nonetheless overall take-up reached 3.8 million sq.m across the key markets and while this 14% lower than 2018 levels, 2019 is still above the 10-year average, largely sustained by the continued growth of e-commerce.
- The lower levels of leasing activity can be partly attributed to the lack of available space, combined with limited development due to the scarcity of well-located land parcels and so pent-up demand remains unsatisfied.
- The Greater Paris Region – the largest and most mature of the French markets – reported take-up in 2019 of 858,000 sq.m, with activity slowing compared to 2018 as the number of large deals fell. There was more dynamism in the 5,000 – 20,000 sq.m bracket but not enough to compensate for the fewer large deals. A handful of XXL deals concluded outside the traditional north-south axis.
- €5.6 billion was invested into the wider industrial market in 2019 – the strongest year on record and surpassing 2018 volumes by an extraordinary 54% due to sustained demand from e-commerce supported by the continued rise in household purchasing power and the reconfiguration of supply chains.
- Historically international buyers were dominant but in 2019 accounted for an equal 50% of all deals. Foreign investors from the US, Germany and the UK were particularly active, with South Korean capital leading the Asian charge.

Industrial Volumes by Capital Source



Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	1.3%	1.2%	↗
Industrial Production	0.6%	-0.4%	↗
Consumer Prices, average	1.1%	1.2%	↗
Population (millions)	67.09	67.25	↗
Population Growth Rate	0.18%	0.24%	↗
Unemployment Rate	8.3%	8.1%	↘

Annual % change unless specified

- French GDP growth for 2019, at 1.3%, is relatively positive despite slower conditions in some areas of Europe.
- Household spending is the mainstay for growth as the unemployment rate fell in Oct and consumer confidence reached a 5-year high in November, before falling in December.
- Government plans to pass pension reforms has caused concern and the re-emergence of social tensions could threaten the outlook as country-wide strikes continue, weighing on household spending in 2020.
- However, private consumption strengthens due to tax cuts, rising wages and low unemployment.

Outlook

- Fundamental transformations to retail and supply chains are sustaining the healthy levels of activity in the logistics industry, which is consolidating and redefining its real estate needs in order to respond to new modes of consumption.
- For now at least, traditional logistics buildings still dominate activity, but urban logistics is attracting more and more opportunistic and creative investors in response to changing consumer behaviour and demand for ever shorter delivery times.
- Occupiers' attraction to new and increasingly bespoke logistics assets was reaffirmed in 4Q 2019 with 17% of transactions turnkey space, versus only 9% in 2018. The driving force behind this is the rising focus, by occupiers, on efficiency.
- Nationwide supply ticked-up at the end of 2019 but still remains tight at 5.4%. Inevitably there are regional contracts with more profound supply:demand imbalances in the Rhone-Alps and Provence-Alpes-Côte d'Azur (PACA) regions. There is a clear lack of available quality space across the core logistics hubs in France. Developers however, continue to act with a some caution, keen to ensure that any development costs can be recouped via rental income or by offloading the property.
- Yields for quality stock hit a new benchmark of 4.00%, having compressed 50 bps since the end of 2018. As investors continue to be attracted to the strong fundamentals underpinning the sector further compression cannot be ruled out.

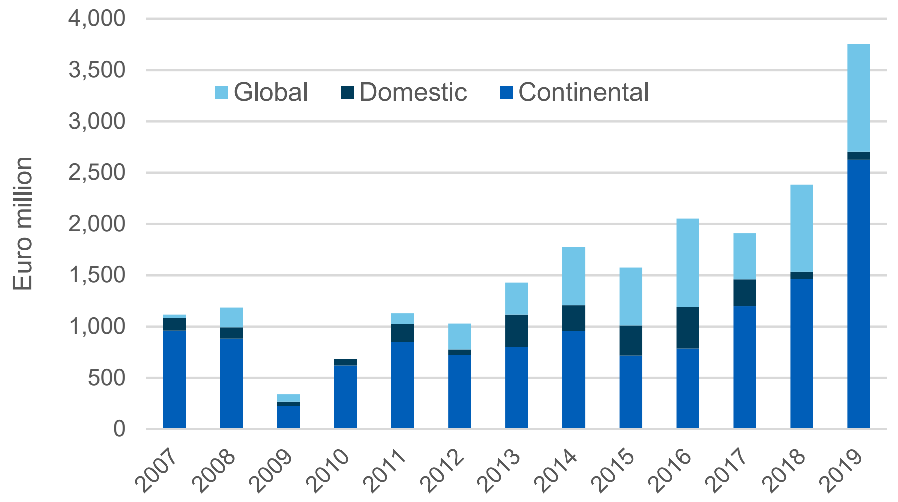
Sources:
Real Capital Analytics – data as at 29 Jan 2020
CBRE – France Logistics Q4 2019
Oxford Economics – Country Economic Forecast France 16 Jan 2020

Poland – Office Market Outlook

Real Estate Market

- 2019 was an extraordinary year for the Polish office market with the Warsaw market going from strength to strength. Occupier demand in the capital reached an all-time-high of 880,000 sq.m which helped to drive down vacancy to 7.8% and rental growth of 4.2% y-o-y. This has seen a rise in pre-let agreements as a way of occupiers securing the space that they need, this is particularly true for those that have large floorplate requirements.
- The regional office markets continue to demonstrate healthy levels of activity. Take-up in 2019 reached 693,000 sq.m which was a record, but it should also be noted that levels were boosted by very strong occupier demand in Krakow, which outperformed all other cities with 267,000 sq.m of space let.
- Under-construction space in the major regional markets amounts to 800,000 sq.m and is mainly concentrated in Kraków, Katowice and the Tri-City. Katowice is outpacing traditionally larger markets in terms of construction activity due to the recent boom in demand for offices there.
- 4Q 2019 investment activity into the office sector in Poland reached €1.03 billion, boosted year end trading volumes to €3.75 billion – a record year for the Polish market and well above the 10-year average of €1.8 bn and 58% higher than 2018 totals.
- Investors continue to target Warsaw with 63% of all office transactions taking place here in 2019, but regional markets are gaining more traction and will continue to do so as new developments offer not just the space that occupiers are looking for, but the quality of space that investors are attracted to as well.

Office Volumes by Capital Source



Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	4.2%	3.1%	↘
Industrial Production	4.6%	2.4%	↘
Consumer Prices, average	2.2%	3.2%	↘
Population (millions)	37.95	37.93	→
Population	-0.06%	-0.08%	→
Unemployment Rate	5.4%	5.1%	↘

Annual % change unless specified

- The Polish economy is set to expand by 4.2% in 2019, a notch down from its 2018 peak of 5.1%.
- Given the slowdown in the Eurozone and cooling construction sector weighing on investment the slowing growth has been surprisingly modest.
- Industrial production surprised on the upside in Q4, although this will moderate in 2020 as demand from the Eurozone remains muted.
- Q3 private consumption rose by 0.9% q/q as labour markets remain tight and wage growth strong but, household spending will moderate as unemployment is not falling as rapidly as at the start of 2018.

Outlook

- 2020 will see the continued trend of an expanding occupier base in Warsaw. Demand is expected to stem from new entrants to the market, as well as companies already operating there but in search of better-quality space, those looking to improve the location of their premises, public entities leasing space in commercial buildings, flex operators expanding their presence, and entities from the modern business services sector targeting the capital.
- The structure of the market is visibly changing and the driving force behind that is the competitive labour market. Employees are aware of their strong negotiating position and a firm's office becomes one of important factors in recruiting and retaining the best talent and with this the significance of flexible space operators in the market will continue.
- There are 790,000 sq.m currently under construction and due to complete by 2022, the majority of which are in central areas of Warsaw. With 40% already pre-let, the supply:demand equilibrium is expected to remain largely the same. Notable investments have also been seen in older office buildings, both in the capital and in regional locations, to add value, improve their appeal and thus helping them to compete with new developments.
- While the outlook is generally positive for the Polish office market and low vacancy and good demand are expected to remain unchanged over the next twelve months, an element of caution is expected to surface as investors consider how much further the cycle has to run (particularly so in Warsaw) leading to portfolio diversification and investors increasingly looking at industrial and alternative assets.

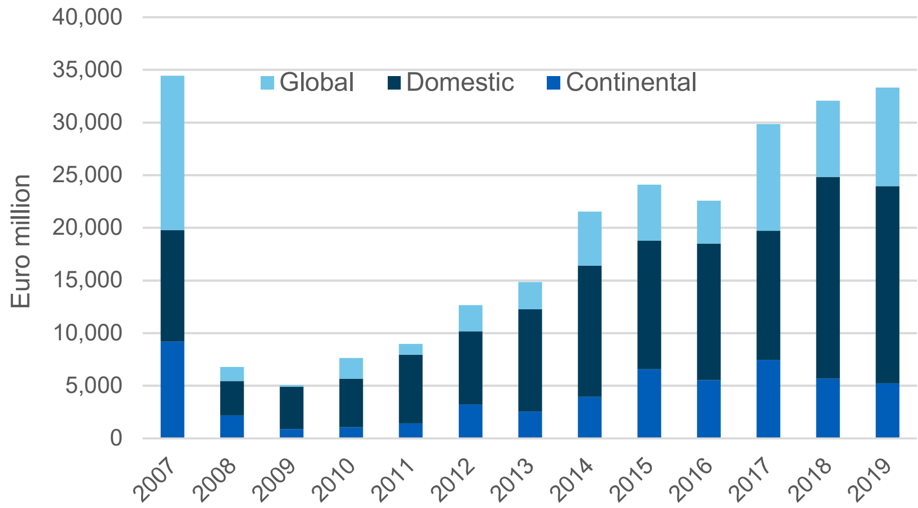
Sources:
Oxford Economics – Country Economic Forecast Poland 8 Jan 2020
JLL – Warsaw Office Market January 2020
JLL – Regional Office Markets January 2020
Real Capital Analytics – data as at 29 Jan 2020

Germany – Office Market Outlook

Real Estate Market

- Germany's office markets are booming, driven by a growing service sector reflected in healthy levels of occupier demand. 2019 take-up of 4.1 million sq.m across the eight core markets of Berlin, Dusseldorf, Essen, Frankfurt, Cologne, Leipzig and Munich, was the second best year on record and almost 2% higher than 2018.
- Berlin is the star performer with 2019 a record breaking year as take-up exceeded the 1.0 million sq.m mark for the first time. Leasing activity reached 770,000 sq.m in Munich and 635,000 sq.m in Frankfurt.
- The significant demand has led to further declines in the vacancy rate which fell to 3.9% across the core eight cities. Berlin has the lowest vacancy at 1.5%, followed by Munich (2.4%), Cologne (2.8%) and Essen (3.5%).
- 4Q was the strongest of the quarter with €15 billion transacted in the office sector, bringing the trading volume for 2019 to €33.3 billion, 3.9% ahead of 2018 and well above the 10-year average of €20.7 billion. A number of deals in excess of €100 million supported activity levels.
- The top 8 markets accounted for the bulk of activity, accounting for approximately 85% of all deals in 2019. Smaller, Tier II and III cities are seeing more interest from investors as they look for higher yielding opportunities, but A-locations are the mainstay of investor interest.
- Domestic investors, once again, featured strongly. From an international perspective, US and UK buyers were active with South Korean capital the dominant source from Asia.

Office Volumes by Capital Source



Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	0.6%	0.7%	↗
Industrial Production	-3.4%	-0.4%	↗
Consumer Prices, average	1.4%	1.6%	↘
Population (millions)	83.11	83.27	↗
Population	0.23%	0.19%	↗
Unemployment Rate	5.0%	5.0%	→

Annual % change unless specified

- A resilient labour market still points to good domestic demand with GDP expected to edge up in Q4 and annual growth of 0.6% in 2019.
- Growth should shift into a higher, albeit still low, gear in 2020 as low inflation, a tight labour market and cheap credit conditions support domestic demand.
- External weaknesses linger in 2020. US car tariffs while delayed are not off the table, a re-escalation of US-China trade tensions and the German car sector's structural shift towards electrical vehicles and hybrids remain challenges.
- The industrial cycle is showing signs of bottoming out on the back of the car sector recovering, but the plunge in October industrial production means that risks to the outlook remain.

Outlook

- Office demand in 2020 is expected to remain strong as some pent up demand is satisfied. It will be a slow process however, as 56% of the 3.9 million sq.m currently under construction have already been secured under pre-let agreements.
- Activity is supported by the tight labour market and expansionary mode of some businesses with the economy on a more secure footing now than in 2019.
- Given the demand:supply imbalance and the low vacancy environment the current landlord market will continue for a while longer, putting further upward pressure in rents especially in the central areas of Berlin and Munich. The situation is less extreme in Frankfurt and Düsseldorf, but rents are still rising across all submarkets.
- Demand for smart, technology driven office buildings will rise further as the war on talent intensifies with office users looking for flexible space, enhanced mobility concepts (such as bike parking and e-charging stations), environmental sustainability and a range of amenities. Levels of co-working will continue to rise and expected to be an important component of leasing activity in 2020.
- Given the weight of capital looking to acquire German offices prime yields, which have been steadily declining, will likely come under downward pressure. Munich is the most expensive location where prime office yields are 2.60%, followed by Berlin and Hamburg (2.70%) and Frankfurt at 2.90%.

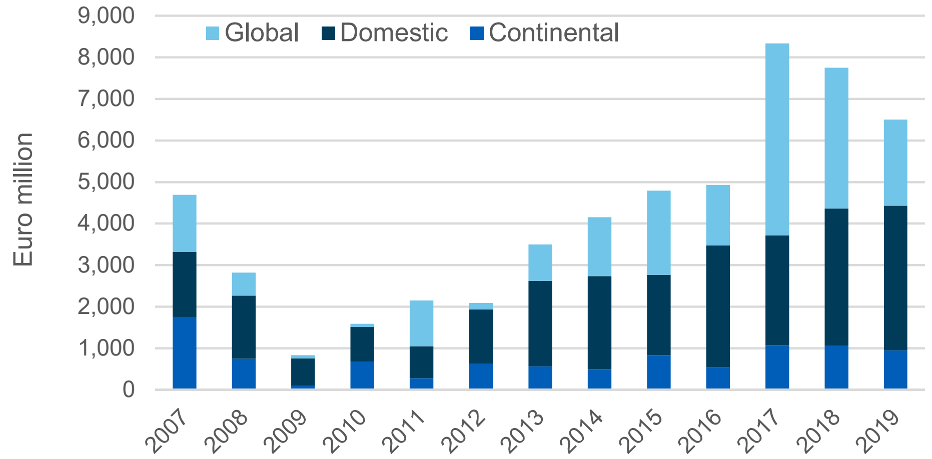
Sources:
Real Capital Analytics – data as at 29 Jan 2020
Avison Young – Germany Outlook 2020
BNP Paribas – Office Market Germany Property Report 2020
Oxford Economics – Country Economic Forecast Germany 22 Jan 2020

Germany – Light Industrial / Logistics Market Outlook

Real Estate Market

- Take-up in 2019 was in excess of 7 million sq.m, above the 5 year average of 6.5 million sq.m with activity boosted by the sustained growth of e-commerce. Occupiers are clearly focused on good quality units in well-connected and the sustained demand levels have seen availability of such units fall below the replacement speed.
- A lack of modern logistics space is a common characteristic in many of the major markets with Dusseldorf, Frankfurt, Hamburg and Munich in particular, suffering from a dearth of space. In addition, there are negligible development sites due to the fact that higher value asset classes such as office and living are competing for sites and can pay more. The combination of high demand and the restricted supply has pushed up rents by an average of 6%, with the strongest growth in Berlin and Hamburg.
- Any new deliveries are absorbed quickly by the market, and where short leases were viewed as more risky historically, the amount of pent up demand is reducing the risk as the units are easily let, so long as the space meets occupier requirements.
- 4Q was the strongest of 2019 with €2.3 billion invested into the industrial sector, bringing the year's total to €6.5 billion. Domestic investors are active and involved in 54% of all deals that took place in 2019. From a European perspective UK and French investors are particularly active while truly global capital has largely come from the USA and South Korea. Part of the rational for international capital flows to slow is that they favour large portfolios which are in limited supply as a shown by recent trades.

Industrial Volumes by Capital Source



Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	0.6%	0.7%	↗
Industrial Production	-3.4%	-0.4%	↗
Consumer Prices, average	1.4%	1.6%	↘
Population (millions)	83.11	83.27	↗
Population	0.23%	0.19%	↗
Unemployment Rate	5.0%	5.0%	→

Annual % change unless specified

- A resilient labour market still points to good domestic demand with GDP expected to edge up in Q4 and annual growth of 0.6% in 2019.
- Growth should shift into a higher, albeit still low, gear in 2020 as low inflation, a tight labour market and cheap credit conditions support domestic demand.
- External weaknesses linger in 2020. US car tariffs while delayed are not off the table, a re-escalation of US-China trade tensions and the German car sector's structural shift towards electrical vehicles and hybrids remain challenges.
- The industrial cycle is showing signs of bottoming out on the back of the car sector recovering, but the plunge in October industrial production means that risks to the outlook remain.

Outlook

- Demand for German logistics is expected to continue over the course of 2020, characterised by high levels of occupier demand and a shortage of modern logistics space. This will give way to positive rental growth but in select locations across Europe's dominant trading economy rather than across the board.
- The seemingly unrestrained growth of the logistics sector in Germany is having an impact along the entirety of the supply chain from retailers to transport service providers, developers and city planners in terms of designating land for the logistical 'last mile' while competing for much needed residential units.
- Competition is fierce between buyers for good quality product with multiple bids pushing yields even lower as they continue to find historic lows. Prime yields, currently at 3.60%, could see further compression of 10 – 15 bps over the next twelve months. Smaller lot size deals (below €15 million) will re-emerge as a target for investors as they look to build-up critical mass given the lack of portfolios coming to the market.
- Suitable land sites will remain in short supply and so developers, investors and occupiers need to get more creative and test alternative concepts, for example combining logistics and bricks-and-mortar shops. The supply shortage combined with the growing demand of consumers for shorter delivery times is also driving the renovation of older properties. The new types of logistics solutions include automation that enables storage racks to be used to the maximum height allowed by the ceilings, as well as developing B and C locations.

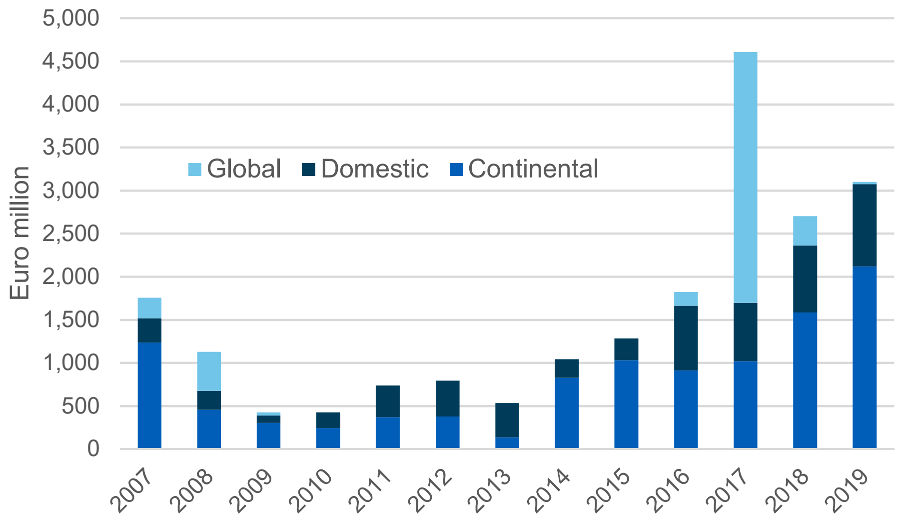
Sources:
Real Capital Analytics – data as at 29 Jan 2020
Avison Young – Germany Outlook 2020
CBRE - Germany Outlook 2020
Oxford Economics – Country Economic Forecast Germany 22 Jan 2020

Finland – Office Market Outlook

Real Estate Market

- Prime rents in Helsinki's CBD came under renewed pressure at the end of 2019 with positive growth of 2.4% as availability levels fell below 3.5%. Prime rents are now €42/sq.m/month. Vacancy across the Helsinki Metropolitan Area (HMA), whilst having been steadily declining, is still in double digits and around 12.6%. A proportion of this is structural and being worked through and further falls will occur as more stock is decommissioned and converted into alternative uses.
- Low levels of supply in the CBD is driving activity in the fringe areas of the submarket, for example in Keilaniemi, Kalasatama, Pasila and Hakaniemi. Development activity is rising and, over time, will lead to the expansion of the traditional CBD. Steady interest in these areas is evident due to robust occupier demand seeking proximity to a train or metro station.
- Following a subdued 3Q - the slowest of 2019 - investor activity picked up in 4Q with €682 million transacting in the office sector, bringing the year's total to €3.1 bn as the office sector, once again, dominated the investment scene securing 46% of all concluded deals in 2019.
- While domestic investors are becoming more active, there are a significant number of international investors targeting the market with buyers from the UK, Finland, Germany and Sweden particularly active in 2019.
- With healthy and steady occupier demand for centrally located, quality assets, prime yields have come under further pressure hitting a record low of 3.25% in the CBD at the end of 2019, having moved in 25 bps points since 4Q 2018.

Office Volumes by Capital Source



Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	1.6%	1.1%	↘
Industrial Production	2.1%	1.7%	↘
Consumer Prices, average	1.1%	1.0%	↗
Population (millions)	5.52	5.53	→
Population	0.12%	0.12%	→
Unemployment Rate	6.7%	6.7%	→

Annual % change unless specified

- The domestic economy will be the key pillar of growth as rising real wages combine with low unemployment to support consumers' spending power.
- The industrial sector weathered much of the Eurozone slowdown in 2019 as it started the year with high order books, helping to sustain demand. 2020 will weaken as new orders have fallen.
- 2020 will see weaknesses emerging in the external environment as muted growth in key trading partners persists, hampering export demand.
- The government's spending plan should help to prop up growth but probably not enough to offset all factors.

Outlook

- 2020 will see a surge in office construction in the Helsinki Metropolitan Area with 107,000 sq.m of modern office supply expected to complete – equivalent to a 1.2% increase on the current stock of 9.0 million sq.m.
- Some yield compression is anticipated in 2020 as investor appetite strengthens and competition for quality product intensifies. However, with yields already at historic lows in the CBD, the sharpening is expected to concentrate on submarkets of the capital where there are new developments and good public transport connections.
- Some companies who are needing to renew their leases, are struggling to find suitable space at reasonable prices. This has seen higher levels of activity in alternative submarkets such as Ruoholahti to the west of the CBD.
- The role of flexible office providers is expected to increase over the next 18-24 months driven by the need of corporates to attract and retain talent, while managing costs and accommodating short-term demand in areas of low availability.
- The low yield environment is putting pressure on value creation elements as a way of providing returns, as opposed to relying on capital or income growth. Investor appetite for early-phase investments in development projects and forward purchases can also be expected to increase due to the tightening competition for assets in prime locations.

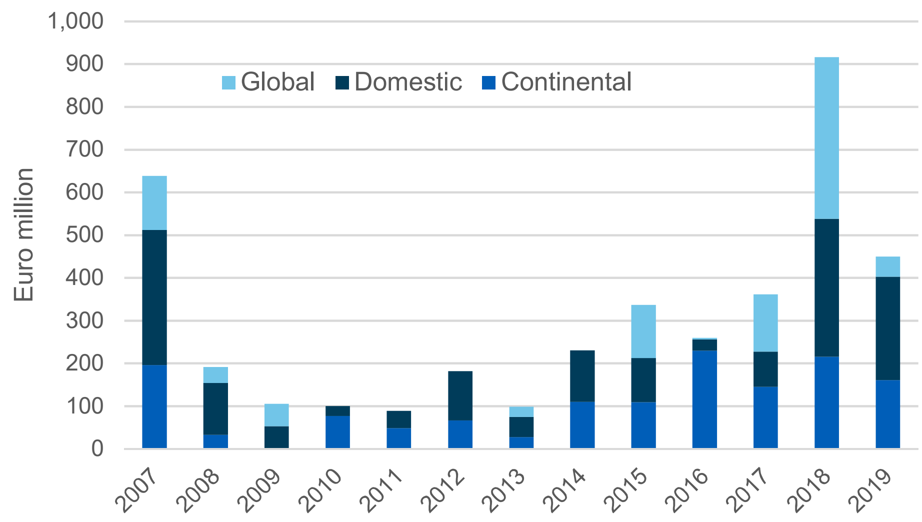
Sources:
Real Capital Analytics – data as at 29 Jan 2020
CBRE – The Outlook Report 2020 Finland
Oxford Economics – Country Economic Forecast Finland 13 Jan 2020

Denmark – Light Industrial / Logistics Market Outlook

Real Estate Market

- The majority of activity is concentrated around key import /export locations with the Greater Copenhagen the country's main market. Occupiers tend to focus on locations such as Taastrup, IshØj KØge and Greve. Another hub of activity is focused in the Triangle area in Jutland.
- Strong e-commerce fundamentals and rising trade are supporting new requirements from operators for logistics space, lowering vacancy rates in Copenhagen to 2.1% as space is taken off the market. In response, prime rents have risen by 4% in Copenhagen over the past 12 months and with a dearth of availability, secondary rents have increased by 11% over the same period.
- Investment volumes totalled €450 million in 2019 and while the comparison with 2018 is unfavourable (-50% year-on-year), it is the third highest volume on record. Industrial and logistics continues to account for a relatively small proportion of the overall trading volumes with just 11% of capital targeting the sector in 2019.
- Foreign investors accounted for 54% of investment in the Danish market. The majority of international capital is from the neighbouring Nordic countries, particularly Sweden and Finland. UK buyers are also active.
- Investment from non-European buyers has been largely absent from the market until recently with investment from US buyers steadily increasing over the last few years.

Industrial Volumes by Capital Source



Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	2.1%	1.3%	↗
Industrial Production	2.8%	0.9%	↗
Consumer Prices, average	0.8%	1.1%	↗
Population (millions)	5.82	5.84	↗
Population Growth Rate	0.39%	0.41%	↗
Unemployment Rate	3.7%	3.7%	→

Annual % change unless specified

- Denmark's open economy has so far proved relatively resilient to slowing growth in key trading partners reflected in a slowing, but still robust growth expectations for 2019 of 2.1%, well above the 1.2% expected for the Eurozone.
- GDP growth will be supported by a steady domestic economy with employment continuing to increase, as the pension age rises, and unemployment hovering close to historic lows. Wages are rising and low inflation will continue to support households' real income levels.
- External headwinds could drag on growth in 2020 including the shape of the trade EU deal with UK and a slowdown in the wider Eurozone economy hampering Danish exports.

Outlook

- There is a severe shortage of tradable stock in the Greater Copenhagen market and any new supply is expected to be absorbed immediately by pent up demand.
- Speculative development remains limited due to high construction costs and the need to recoup these via a secure long lease agreement. Most development is therefore either driven by the end-user or has a strong pre-let agreement in place before breaking ground.
- Owner occupiers dominate the Danish logistics market although it is becoming an increasingly tenanted market as companies look to free up some capital held in their real estate portfolios
- Market fundamentals are expected to remain robust, supported by relatively healthy economic growth and the advancement of the structural shift towards internet retailing. This is fuelling demand from retailers who need e-fulfilment centres and warehouses.
- Occupiers are becoming more demanding when it comes to the quality of stock, demanding modern, high-tech facilities, which will in turn provide investment opportunities and further support the move away from high levels of owner occupation.
- Prime yields in Copenhagen are at 5.00% although there is evidence of some further inward movement with potential for a 25 bps compression over the next 12 months alongside some positive rental growth.

Sources:
Real Capital Analytics – data as at 29 Jan 2020
Statistics Denmark
CBRE – Denmark Real Estate Outlook 2020
Oxford Economics – Country Economic Forecast Denmark 15 Jan 2020

THANK YOU

If you have any queries, kindly contact:
Cromwell EREIT Management Pte. Ltd.,
Chief Operating Officer & Head of Investor Relations, Ms Elena Arabadjieva at
elena.arabadjieva@cromwell.com.sg, Tel: +65 6920 7539,
or Newgate Communications at cereit@newgatecomms.com.sg.

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