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Cromwell European REIT Acquiring a Freehold Light Industrial / Logistics Asset in Germany

- Acquisition contracted at a competitive price of €16.6 million (approximately S\$25.0 million¹), 0.5% below independent valuation and ~50.0% below estimated replacement cost²
- Asset being acquired on a 6.3% net operating income (“NOI”) yield³
- The asset is fully let to a single tenant-customer on a double-net lease until 2024
- Asset is located within the centrally located town of Sangerhausen, and 100 km from major cities (such as Leipzig and Erfurt)

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the “**Manager**”) of Cromwell European Real Estate Investment Trust (“**Cromwell European REIT**” or “**CEREIT**”), announced today that CEREIT has entered into a purchase agreement with Nathusius Vermögensverwaltungs-GmbH & Co. KG on 27 February 2020 to acquire a light industrial / logistics asset in Germany (the “**Asset**”). The acquisition of the Asset is expected to be completed in April 2020, once certain conditions are satisfied.

The Manager’s Chief Executive Officer, Mr. Simon Garing, commented, “I am delighted to announce that this is CEREIT’s second light industrial / logistics acquisition in Germany within a short span of three months. The Asset is less than five years old and acquired at an attractive 6.3% NOI yield³, a testament to the sourcing capabilities of our extensive on-the-ground European team. This latest addition to our portfolio is underpinned by a lease to a market-leading company specialising in fresh supply chain packaging. This acquisition is consistent with our stated purpose of providing long-term distribution per unit and net asset value per unit growth.”

The Asset

The Asset is a freehold, light industrial / logistics property totalling 30,557 square metres (“**sq m**”) of net lettable area (28,060 sq m of warehouse space; 2,315 sq m of office space; and 182 sq m of other spaces) on a site totalling approximately 79,000 sq m. The Asset was constructed in 2017 with modern specifications which can easily be repositioned for a multi-tenanted strategy, if required.

The Asset is fully let to Euro Pool System International GmbH, a market leader in the field of reusable packaging in the European fresh supply chain. The lease, which extends until May 2024, is on a double-net basis, whereby the landlord is only responsible for repairs throughout the duration of the lease.

The Asset is well-located in Sangerhausen, a town in central Germany with a population of 30,000. It is also home to the sizable manufacturing company GMT Gummi-Metall-Technik GmbH (leading worldwide specialist in the field of anti-vibration technology). Sangerhausen is located in the south of the region of Saxony-Anhalt and is close to the transportation hubs Leipzig (Saxony) and Erfurt (Thuringia). The town's position as a transportation hub itself has been enhanced with the recent addition of north-south motorway A71, and an upcoming connection to the A14 motorway, providing better access to the north-east of Germany. The regions of Saxony-Anhalt and Thuringia have a total population of approximately 4.4 million. The gross domestic product ("GDP") of Saxony-Anhalt has increased from €20.3 billion in 1991 to €63.5 billion in 2018 and the GDP of Thuringia has increased from €16.9 billion in 1991 to €63.8 billion in 2018⁴.

The Asset was independently valued by Cushman & Wakefield Debenham Tie Leung Limited ("**Cushman**") (commissioned by CEREIT) at €16.7 million (approximately S\$25.0 million¹), as at 15 January 2020, using the income capitalisation method and taking into account comparable market transactions.

The purchase consideration for the Asset is €16.6 million (approximately S\$25.0 million¹) (the "**Purchase Consideration**"), approximately 0.5% below the independent valuation and ~50.0% below the estimated replacement cost². It was arrived at on a willing buyer and willing seller basis.

Rationale and Benefits

The Asset is being acquired at an attractive NOI yield³ of 6.3%, as compared to CEREIT's existing portfolio's NOI yield³ of just above 6.0%. The Asset is fully let to a single master tenant-customer with sound creditworthiness, at a passing rent slightly below estimated market rent, thereby offering positive reversion potential.

The Asset is situated on freehold land and the Purchase Consideration is below estimated replacement cost². The acquisition will also increase CEREIT's exposure to Germany, with the size⁵ of its portfolio in the country rising to €136.6 million, up from €120.0 million as at 31 December 2019. Germany will then account for 6.5%⁵ of CEREIT's portfolio, up from 5.7%⁵ as at 31 December 2019. The weighting of the portfolio towards light industrial / logistics space will also increase from 30.6%⁵ to 31.2%⁵.

The Asset is strategically located in central Germany, with good connection to the German motorway network, providing access to sizeable German cities such as Berlin to the north-east; Leipzig and Dresden to the east; Erfurt, Nuremberg and Munich to the South; and Kassel and Dortmund to the west.

The Asset will provide CEREIF with a stable cashflow and a WALE⁶ of over 4 years. The master tenant-customer's renewal of the lease beyond the four-year term is considered likely as the Asset is integral to its operations and it has recently invested €2.8 million in its fit-out in the property. Infrastructure developments in the region and growing occupier demand are expected to drive rental growth and yield compression.

Funding and Financial Effects

The total cost of the acquisition is estimated to be approximately €18.2 million (approximately S\$27.3 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). The acquisition will be funded from a combination of cash reserves and/or available undrawn debt facilities.

The acquisition is not expected to have any material effect on CEREIF'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 Asset is a "Non-Disclosable Transaction" within the meaning of Rule 1008 of the Listing Manual.

The 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 31 December 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 4.4 years. Comprising primarily freehold or ongoing leasehold assets, the portfolio has an appraised value of approximately €2,103 million as at 31 December 2019 including assets held for sale.

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.

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

² Based on independent reinstatement valuation.

³ NOI Yield is calculated as the first-year net operating income pre-asset management fees divided by the purchase price excluding transactions costs incurred in connection with the acquisition.

⁴ Source of economic data: Oxford Economics.

⁵ By valuation of CEREIT's existing portfolio of 103 assets as at 31 December 2019 including assets held for sale.

⁶ "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).

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