Cromwell European REIT

1Q 2021 Business Update

Economic and Real Estate Country Update Supplement
11 May 2021

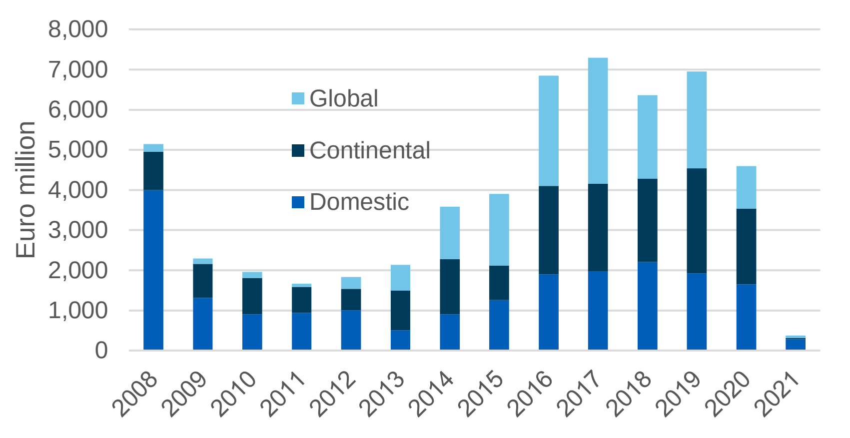
The Netherlands

Office Market Outlook

Occupational Market

- Leasing activity declined in 1Q 2021 as a result of occupier decisions being placed on hold until employees can return to their offices. Across the major cities, take-up reached 82,300 sqm, which was a 53% reduction on 4Q 2020, and 48% less than the volume leased in 1Q 2020
- Amsterdam continued to be the most active market with 32,900 sqm leased, however this was still 70% less than the total volume leased over the same period last year
- The average vacancy rate across the Netherlands increased to 8.3% in 1Q 2021 from 7.9% in 4Q 2020, with Utrecht being the only office market to see a reduction. Vacancy rate in Amsterdam was 4.1%
- The overall vacancy rate is expected to rise further in 2021 due to the return of office space upon lease expiry or subletting, as well as the release of new or refurbished space that will come onto the market vacant. Amsterdam in particular has a strong development pipeline with 448,000 sqm set to complete over the next two years
- Prime buildings in core locations are still in demand but the availability of secondary locations is expected to increase. This increase should mostly be the result of cost saving measures, as more occupiers consider how much space they need with a significant increase in the number of staff expected to work from home
- Prime rental values remained flat during 1Q 2021 due to the lack of demand and rising levels of availability. Amsterdam saw some rental decline in 2020, and these could fall further in 2021 with incentives also expected to increase over the next 12 months

Office Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-3.7	2.9	↗
Industrial Production	-4.0	5.0	↘
Consumer Prices, average	1.3	1.9	↘
Population (millions)	17.5	17.5	↗
Population Growth Rate	0.6	0.4	↘
Unemployment Rate	4.8	5.5	↗

Annual % change unless specified

- The number of new COVID-19 cases has been climbing again, raising the risk that the current lockdown will likely need to be extended. The pace of vaccination has started to accelerate, however, and sentiment indicators are improving
- While consumption was again weak in 1Q, we now see a stronger pick-up in 2H as households dip into excess savings
- Overall, the forecast for GDP has remained unchanged at 2.9% in 2021, however the growth in 2022 has been increased to 3.4% from 3.1% previously

Investment Market

- Investment activity was subdued during 1Q 2021 with the transaction volume totalling €375 million. This accounted for just 18% of transactions across all sectors in the Netherlands
- Domestic buyers were the most active at the beginning of the year, accounting for 75% of transactions, compared to continental (8%), and global (17%) investors
- Despite the slow start of the year, investors are expected to return to the market in larger numbers as soon as there are visible signs of recovery in the occupier market, with CBRE forecasting transaction volumes to reach €5 billion in 2021, up from €4.6 billion in 2020
- Investors have a clear preference for well-located, multi-tenant buildings, with long lease contracts in 2020. As a result, prime yield compression has been witnessed in Rotterdam (4.0%), The Hague (4.25%), and Utrecht (4.0%) in 1Q 2021
- However, investors remain cautious over core-plus and value-add opportunities, with some yield softening in these markets as a result
- During the global financial crisis, the spread between the net initial yield in prime and secondary offices was somewhere between 35-75 basis points. During the current COVID-19 pandemic, the difference is between 100-120 basis points

Sources:
Oxford Economics – the Netherlands Economic Forecast April 16 2021
Real Capital Analytics – data as at April 28 2021
CBRE – The Netherlands market outlook 2021
JLL – Market discussion with local research team 5 May

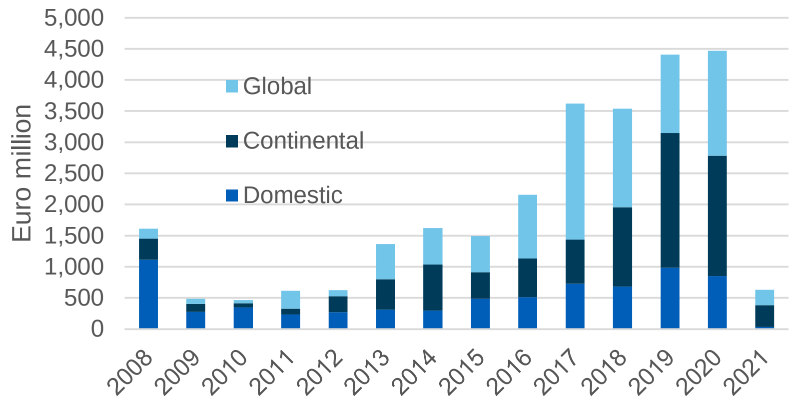
The Netherlands

Light Industrial / Logistics Market Outlook

Occupational Market

- Throughout the pandemic, certain logistics occupiers have benefitted hugely from the current situation, such as supermarkets and e-commerce parties. After 3PL companies, which are always the largest category, food and fresh logistics occupier have been the most active over the last 12 months
- However, demand from the traditional retailers, and automotive industries is stagnating, and as a result, leasing activity was down 23% in 1Q 2021 from 4Q 2020, and 14% below the level of take-up recorded in 1Q 2020. West Brabant was the most active region with take-up reaching 106,000 sqm, followed by Rotterdam where 71,700 sqm was leased
- Despite the subdued start to the year, the outlook for 2021 remains positive. The growth in e-commerce will likely continue and is expected to drive further demand for logistics space. Also, the occupiers which have been struggling in the current climate are likely to bounce back once the economic recovery continues and consumer demand returns. This will likely be during the third quarter of 2021
- Although leasing activity has eased, the vacancy rate across The Netherlands fell to 3.9% in 1Q 2021. As a result, prime rents in areas close to the major cities are expected to will likely continue to experience an upward pressure due to building and land shortages
- Rental values may also increase for new distribution centres, which will likely have better specifications, such as more efficient storage, and are often more sustainable. Furthermore, the quality of distribution centres is an increasingly important factor in attracting staff, and something which occupiers will likely be willing to pay more

Industrial Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-3.7	2.9	↗
Industrial Production	-4.0	5.0	↘
Consumer Prices, average	1.3	1.9	↘
Population (millions)	17.5	17.5	↗
Population Growth Rate	0.6	0.4	↘
Unemployment Rate	4.8	5.5	↗

Annual % change unless specified

- The number of new COVID-19 cases has been climbing again, raising the risk that the current lockdown will likely need to be extended. The pace of vaccination has started to accelerate, however, and sentiment indicators are improving
- While consumption was again weak in 1Q, we now see a stronger pick-up in 2H as households dip into excess savings
- Overall, the forecast for GDP has remained unchanged at 2.9% in 2021, however the growth in 2022 has been increased to 3.4% from 3.1% previously

Investment Market

- Investor demand for logistics assets across the Netherlands remains high with the transaction volume in 1Q 2021 totalling €630 million. This accounted for 30% of the total amount invested in the country. CBRE expects that around €4 billion with transact by the end of the year, similar level to 2020. The continued interest in the sector has resulted in further yield compression to 3.4%
- Most of the activity came from non-domestic capital, with continental investors accounting for 55% of activity, and global investors accounting for 40%
- In 2021, interest in redevelopment locations known as “brownfields” will likely increase further. Brownfields present several opportunities, particularly since new developments often encounter difficulties due to lack of land and stricter PFAS and nitrogen regulations. Yet brownfields are existing and proven locations, often with good availability. Zoning plans have often been drawn up already, which allows for faster developments. Another explanation for their increased popularity is that “greenfields” do not always allow for speculative developments
- The logistics market is maturing, but also becoming more diverse. The COVID-19 pandemic has revealed that not every segment performs equally as well within this sector. Knowledge of the logistics occupier processes and associated real estate needs becomes even more important in order to achieve the best yields within the strong competitive field. Knowledge of the quality and flexibility of properties is also important in order to limit the re-letting risk

Sources:
Oxford Economics – the Netherlands Economic Forecast April 16 2021
Real Capital Analytics – data as at April 28 2021
CBRE – The Netherlands market outlook 2021
JLL – Market discussion with local research team 5 May

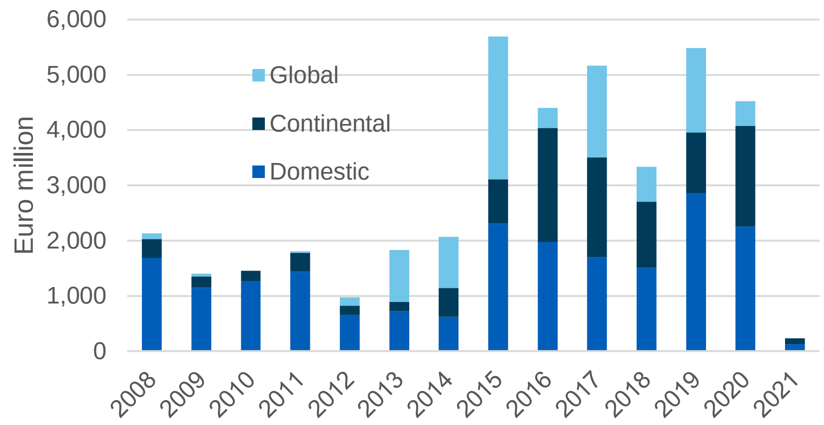
Italy

Office Market Outlook

Occupational Market

- Office take-up across Milan and Rome totalled 94,000 sqm in 1Q 2021, which was a 37% decline on 4Q 2020, and 25% below 1Q 2020. This slowdown is largely due to the drop in economic activity and uncertainty regarding the structural impacts of the pandemic on future demand for office space, which has led to a growing wait-and see approach by most occupiers
- In Milan, take-up reached 69,000 sqm, with most deals signed in the CBD. Similarly in Rome, the CBD was in the most demand with leasing activity accounting for 37% of all activity in the city
- With occupiers continuing to delay decisions, the overall vacancy rate increased across both markets to 5.6% in Milan, and 9.7% in Rome. In Milan, the vacancy rate could rise further with the delivery of 388,000 sqm of new space expected in the submarkets of Porta Nuova and San Donato, of which 60% already pre-let
- In Rome, many of the development schemes which expected to complete in 2020 suffered delays, and therefore increased the pipeline for 2021, amounting to approximately 90,000 sqm. There are no reports of cancellations of ongoing development projects and the number of refurbishments is large, with more than 147,000 sqm expected to be completed between 2021 and 2023
- So far prime rents have proved robust, however the volume of new and refurbished office space coming to the market over the next 12 months could lead to some rental decline

Office Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-8.9	4.5	↗
Industrial Production	-11.0	11.6	↘
Consumer Prices, average	-0.1	1.4	↘
Population (millions)	59.5	59.3	↘
Population Growth Rate	-0.7	-0.4	↗
Unemployment Rate	9.1	9.8	Flat

Annual % change unless specified

- GDP is believed to have fallen again in 1Q after dropping by around 2% in 4Q 2020. The contraction in 1Q is expected to be marginal and should be followed by a gradual improvement in 2Q, supported by a relaxation of restrictions from May
- The services PMI has continued to contract, although the pace of decline in February and March was slower than in previous months
- Oxford Economics forecast GDP growth of 4.5% this year and 4.6% in 2022, after an 8.9% contraction in 2020. However, if the pace of the vaccination rollout does not improve or the government is unable to ease current restrictions, the outlook will likely weaken

Investment Market

- Office transaction volumes across Italy totalled €232 million during the first quarter of the year, which accounted for 20% of activity across all sectors
- Investors are focussed on core and trophy assets, with excellent covenants in primary markets, whilst there remains a wait-and-see approach towards value-added transactions. Interest in value-added transactions has been hindered by the increase in the cost of leverage and a reduction in the LTV for transactions with a more pronounced risk profile, which are justified by the uncertainty regarding the future level of demand from occupiers
- The domestic component of investments continues to grow across Italy, and in 1Q 2021 domestic investors accounted for 55% of transactions, compared to 45% from continental investors. There was no capital from global investors in 1Q 2021
- Despite the drop in the number of transactions, the lack of a quality product which are adapted to contemporary sustainability needs, is limiting investment opportunities. As a result, prime yields have remained robust at 3.1% in Milan, and 3.7% in Rome
- The Italian office market will likely continue to be a key target for institutional investors seeking core products in primary markets. However, effective repricing could also renew investors' interest in value-add transactions in 2021

Sources:
Oxford Economics – Italy Economic Forecast April 21 2021
Real Capital Analytics – data as at April 28 2021
CBRE – Italy market outlook 2021
CBRE – Market discussion with local research team 4 May

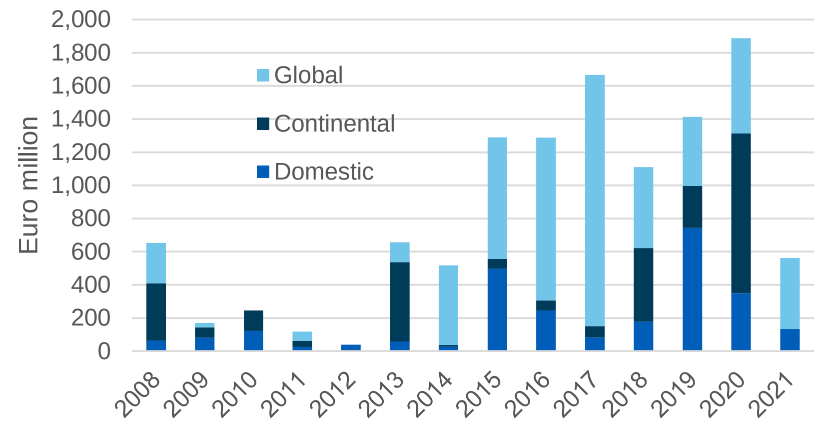
Italy

Light Industrial / Logistics Market Outlook

Occupational Market

- There continues to be high demand from occupiers for logistics space across Italy, with take-up in 1Q 2021 reaching 619,000 sqm. This is 89% greater than the volume of space leased in 1Q 2020 and highlights the positive impact that COVID-19 has had on the sector
- The demand for space continues to be driven by 3PL operators, which are increasingly carrying out global third-party activities, supported by strong growth in online sales. There has also been a greater demand for temporary spaces for the distribution of medical devices, a trend that is likely to continue with the rollout of the vaccine throughout 2021
- Urban logistics are gaining an increasingly relevant and strategic role for the logistics market. The change in consumption habits and digitalisation will likely increase the need for widespread distribution, with the creation of customised products and supply chains dedicated to the new needs of demand
- The current development pipeline is significant, with approximately 1.2 million sqm to be delivered in 2021. However, significant chunks of this space have already been leased as occupiers are increasingly seeking built-to-suit logistics space, which accounted 70% of the total take-up volume in 2020
- The scarcity of an existing quality product will likely continue to support the rise in prime rents, which are currently at €57 per sqm. The intense demand from occupiers for customised and quality products will likely lead to a significantly faster increase in the fees for this type of property, and result in the spread between the rents of built-to-suits and existing buildings widening

Industrial Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-8.9	4.5	↗
Industrial Production	-11.0	11.6	↘
Consumer Prices, average	-0.1	1.4	↘
Population (millions)	59.5	59.3	↘
Population Growth Rate	-0.7	-0.4	↗
Unemployment Rate	9.1	9.8	Flat

Annual % change unless specified

- GDP is believed to have fallen again in 1Q after dropping by around 2% in 4Q 2020. But the contraction in 1Q is expected to be marginal and will likely be followed by a gradual improvement in 2Q, supported by a relaxation of restrictions from May
- The services PMI has continued to contract, although the pace of decline in February and March was slower than in previous months
- Oxford Economics forecast GDP growth of 4.5% this year and 4.6% in 2022, after an 8.9% contraction in 2020. However, if the pace of the vaccination rollout does not improve or the government is unable to ease current restrictions, the outlook will likely weaken

Investment Market

- Investor interest continues to be strong for Italian logistics assets with the transaction volume totalling €562 million in 1Q 2021. This accounted for 49% of all transactions in Italy, making logistics the most sought-after asset class from investors
- This interest in the Italian market is driven both by the intensity of the occupier's demand for logistics spaces, and also by the competitive yields with respect to the other major western European markets
- The majority of capital in 1Q 2021 came from global investors, which accounted for 76% of transactions, whilst domestic investors accounted for 24%. The market attracts both specialist and generalist investors, who now look at Italian logistics as a core sector in property investment
- The scarcity of Grade A spaces, and their excellent absorption rates, offer good opportunities for developments, often driven by demand for high quality and highly customised built-to-suit logistics space
- Prime yields compressed for the third consecutive quarter to 4.9% in 1Q 2021, however lower yields have already been observed for trophy assets transactions
- The outlook for the rest of the year is positive, there is a strong development pipeline, and the strength of this asset class will likely continue to attract foreign capital and new investors, exerting new downward pressure on the prime yield, as well as in secondary locations

Sources:
Oxford Economics – Italy Economic Forecast April 21 2021
Real Capital Analytics – data as at April 28 2021
CBRE – Italy market outlook 2021
CBRE – Market discussion with local research team 4 May

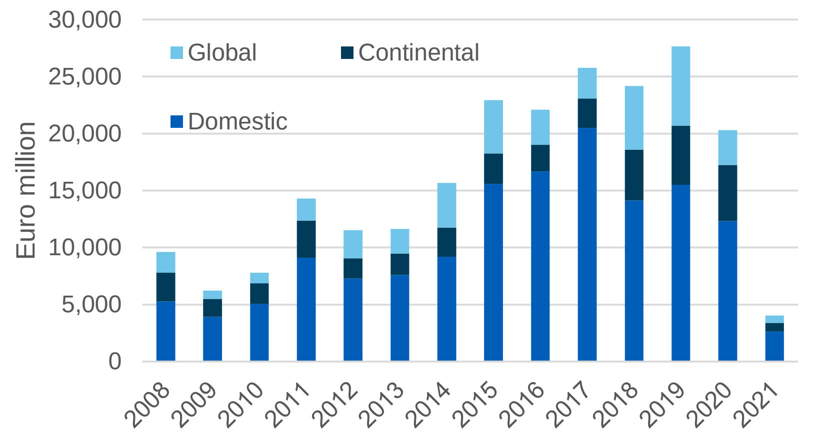
France

Office Market Outlook

Occupational Market

- Leasing activity continued to be below the long-term average, with take-up reaching 470,000 sqm in 1Q 2021. This was a 30% decline on 4Q 2020, and 26% below 1Q 2020.
- Despite the drop-in activity, there has been some positive signs at the beginning of the year, such as an increase in the number of large lettings. 13 transactions of more than 5,000 sqm were recorded in 1Q 2021, which is more than in the same period last year (12) and more than the total for the last three quarters (10). These deals suggest that some occupiers are willing to take advantage of the more favourable market conditions
- Occupier demand in 1Q was largely driven by companies in growing sectors of activity, or those more resistant to the health crisis, such as finance, consulting, and media and technology.
- The average vacancy rate reached 6.3%, which is a significant increase on 4.1% recorded 12 months ago. The vacancy rate across Ile-de-France increased for the fifth consecutive quarter in 1Q 2021 to 6.7%. The vacancy rate could increase further due to the high volume of development schemes expected to complete this year. Some delayed projects from 2020 have inflated the volume of space to be delivered in 2021, which could total more than 1.5 million sqm. Roughly half of this space has already been leased, however the level of pre-lets falls in 2022 (18%) and 2023 (13%), and raises the question over the market's absorption capacity in view of the current state of demand from occupiers
- So far prime rents have remained robust, and even increased in Bordeaux to €215 per sqm, however the threat of oversupply could impact long term rental growth if the leasing market remains subdued

Office Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-8.2	4.9	↗
Industrial Production	-10.8	8.7	↘
Consumer Prices, average	0.5	1.5	↘
Population (millions)	67.4	67.6	↗
Population Growth Rate	0.2	0.2	↗
Unemployment Rate	7.8	8.3	↗

Annual % change unless specified

- France entered a new hard lockdown for at least four weeks from 3 April. This follows the recent surge in COVID-19 infections, which has pushed hospital capacities to their limits
- Although the health situation is likely to remain challenging, the increase in vaccination rates supports the view that economic conditions could start normalising from the end of 2Q. However, some risks remain such as the strong anti-vaccination sentiment in France which could become more of a challenge once those people happy to take the jab have been inoculated.
- The latest lockdown has led Oxford Economics to lower their forecasts slightly to 4.9% GDP growth in 2021 and 5.3% in 2022

Investment Market

- The office transaction volume in 1Q 2021 totalled €4 billion, which accounts for 54% of total investment activity, making offices the most sought-after sector. In the current climate, investors are generally more selective, however, they continue to target the most established geographical sectors and properties offering stable and secure income.
- Investor appetite for larger assets remains particularly strong with 12 transactions in excess of €100 million signed since January. This is slightly less than in the 1st quarter of 2020 (14), but far more than the average over the last ten years (7).
- Domestic capital continued to be the most active in the market, with €2.6 billion spent in 1Q, which accounts for 65% of activity. Foreign capital totalled €1.4 billion over the same period, with continental investors slightly more active than global.
- Although core properties accounted for two-thirds of office investment volumes in the first quarter of 2021, the price correction in other types of property combined with the strong fundamentals of the Greater Paris Region market, and the search for yields, are encouraging several investors to take more risks.
- The weight of capital targeting the core markets in France meant that prime yields remained flat in 1Q 2021 despite concerns over the occupier markets. Yields are at their lowest in Paris at 2.75%, which is where they were before the pandemic begun.

Sources:
Oxford Economics – France Economic Forecast April 15 2021
Real Capital Analytics – data as at April 28 2021
Knight Frank – The office market Q1 2021

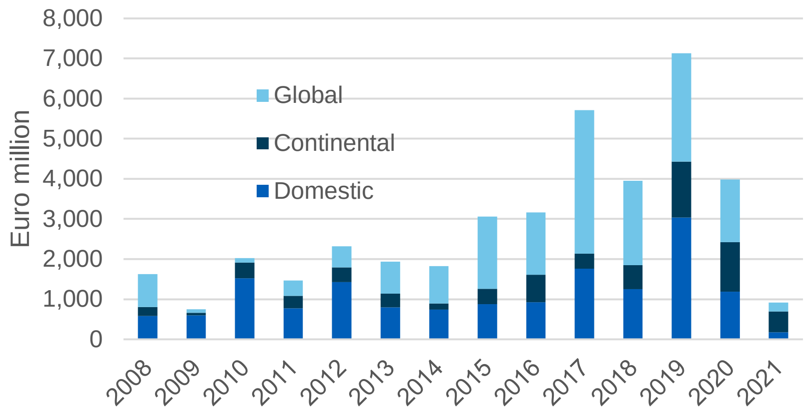
France

Light Industrial / Logistics Market Outlook

Occupational Market

- Leasing activity across France for logistics space reached 635,000 sqm in 1Q 2021, which was a 12% decline compared with 1Q 2020, and 18% lower than the 10- year average. After a record 4Q 2020, the slow start to the year shows that companies are working to identify their real estate strategies for 2021 given the persistently uncertain economic context
- Leasing across the central axis region totalled 255,000 sqm in 1Q 2021, which accounts for 40% of activity. In some central axis markets, activity declined significantly, namely the Hauts-de-France (-34%), Auvergne Rhône-Alpes (-74%), and PACA (-75%) markets
- The greater Paris region market is gaining momentum with 116,400 sqm leased. 12 deals were signed in 1Q 2021, compared with 7 the year before. The market was primarily driven by small and medium leases between 5,000 sqm and 20,000 sqm
- Occupiers continued to target high quality new space, which represented 66% of lettings in 1Q 2021. This is the result of occupiers' increased focus on efficiency. From their initial design, buildings are increasingly sustainable and even reversible, with high expectations in terms of energy performance. Digital tech is also increasingly incorporated and constitutes a key criterion in terms of operational priorities
- In 1Q 2021, the vacancy rate across market rose to 5.8%, which was largely due to the delivery of several speculative developments. However, despite this increase, prime rents have remained resilient across all markets, and even increased in areas where supply is scarce.

Industrial Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-8.2	4.9	↗
Industrial Production	-10.8	8.7	↘
Consumer Prices, average	0.5	1.5	↘
Population (millions)	67.4	67.6	↗
Population Growth Rate	0.2	0.2	↗
Unemployment Rate	7.8	8.3	↗

Annual % change unless specified

- France entered a new hard lockdown for at least four weeks from 3 April. This follows the recent surge in COVID-19 infections, which has pushed hospital capacities to their limits
- Although the health situation is likely to remain challenging, the increase in vaccination rates supports the view that economic conditions could start normalising from the end of 2Q. However, some risks remain such as the strong anti-vaccination sentiment in France which could become more of a challenge once those people happy to take the jab have been inoculated
- The latest lockdown has led Oxford Economics to lower their forecasts slightly to 4.9% GDP growth in 2021 and 5.3% in 2022

Investment Market

- The transaction volume for logistics assets in France totalled €918 million, which accounted for 12% of the total investment market in 1Q 2021
- Foreign capital was the most active during the first quarter and represented 81% of investor activity. European investors were particularly active, purchasing €519 million of assets, with global investors purchasing €226 million. Domestic investors were more subdued by comparison, with transactions totalling €173 million, which accounts for just 19% of activity
- The weight of capital targeting core assets resulted in the prime yield hardening to 3.5%. Although this only applies to new built-to-suit transactions, sale prices for second-hand assets have also increased
- This has led to some investors positioning themselves on alternative segments that remain niche logistics markets, such as data centres and urban logistics
- The data centres market is still at an embryonic stage, but investor interest is growing exponentially. Urban logistics are also generating significant interest, with some investors raising capital specifically for this category
- The sale off-plan market is also gaining interest from investors who consider new, pre-let assets to be too expensive. Some investors prefer new speculative projects, whose risk they are willing to assume due to the potential returns available

Sources:
Oxford Economics – France Economic Forecast April 15 2021
Real Capital Analytics – data as at April 28 2021
CBRE – France Logistics market Q1 2021

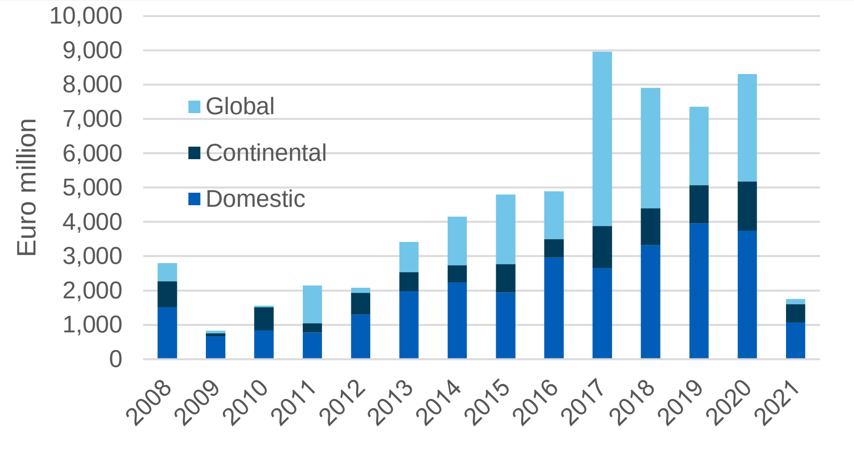
Germany

Light Industrial / Logistics Market Outlook

Occupational Market

- The logistics sector continues to do well, with strong occupier demand for new space continuing at the beginning of the year. Take-up in 1Q 2021 reached 1.6 million sqm, which was 13% greater than 1Q 2020.
- These figures underline the fact that the logistics sector is not only coming through the crisis better than almost all other sectors of the economy, but is even benefiting in part from structural adjustments that are generating additional demand. At the same time, overarching trends such as the growing importance of e-commerce and urban logistics are continuing with increasing momentum.
- The market also has diverse range of occupier types driving demand, in 1Q 2021 the most active occupiers were 3PLs (32%), manufacturing companies (32%), and wholesale and retail (30%).
- The high level of leasing activity has continued to drive down the overall vacancy rate across Germany and was recorded at 2.3% in 1Q 2021. A combination of robust occupier demand and low availability has resulted in further positive rental growth. Rents in Munich grew to €87 per sqm, which are the most expensive in the country. Rents also increased in Dusseldorf by 3%, and in Hamburg by 2%.
- The first quarter makes it clear that the logistics sector has adapted to the pandemic-related conditions despite the lockdown that has lasted for months. Some structural effects are even having a positive impact on demand. Consequently, further rental growth cannot be ruled out this year.

Industrial Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-5.3	3.8	↗
Industrial Production	-10.3	9.7	↘
Consumer Prices, average	0.5	2.2	↘
Population (millions)	83.2	83.2	↗
Population Growth Rate	0.1	0.0	↗
Unemployment Rate	5.9	5.9	↘

Annual % change unless specified

- Rising COVID-19 cases and hospitalisations, as well as the slow progress of the vaccination campaign, have forced the government to reverse some of the recent easing in lockdown measures. Activity should pick up in May when the vaccination pace increases
- Overall, Oxford Economics forecast 3.8% GDP growth in 2021, with a return to pre-crisis GDP levels by the end of the year, and then growth of 4.3% in 2022
- Inflation continued to rise in March, reaching a one-year high of 1.7% after 1.3% in February. Core inflation held steady at around 1.4%, only modestly lower than 1.6% in 3Q 2019. We expect inflation to reach 3% in 4Q due to base effects after last year's VAT cut and reinforced by the recovery

Investment Market

- Investor demand for German logistics assets continues to be strong, and in 1Q 2021 the transaction volume totalled €1.8 billion. This accounted for 14% of total investment, making logistics the third most sought after sector behind residential (44%), and offices (22%)
- The market is currently feeling the absence of major high-volume portfolio deals and takeovers, with 65% of transactions recorded in 1Q 2021 for single assets
- Domestic investors continued to be the most active in the market, purchasing €1.1 billion of assets, which accounts for 61% of logistics sales. This is mainly due to the current set of travel restrictions, and as a result, it is expected that the share of foreign capital will likely remain below the long-term average throughout the year
- In the first quarter, continental capital accounted for 30%, and global capital accounted for 8% of industrial transactions
- The number of investors turning to logistics as an asset class or increasing their allocation to the sector in recent months has been growing exponentially. As a result, the transaction volume in 2021 is expected to be at a similar level to 2020
- Due to the limited availability of prime assets, the downward pressure on yields is expected to continue throughout the year, with prime yields currently at 3.4%

Sources:
Oxford Economics - Germany Economic Forecast April 13 2021
Real Capital Analytics – data as at April 28 2021
BNP Paribas – German logistics Q1 2021
Colliers – Germany logistics investment Q1 2021
Avison Young – Market discussion with local research team 4 May

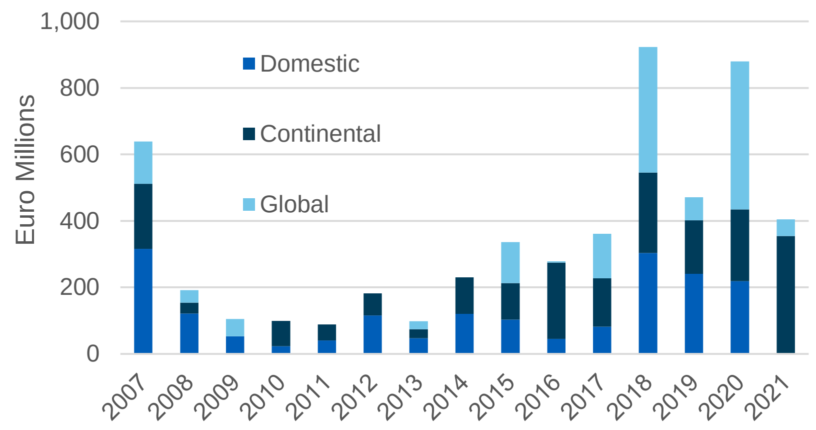
Denmark

Light Industrial / Logistics Market Outlook

Occupational Market

- Occupier demand continued to be strong in 1Q 2021 with positive net absorption for the second consecutive quarter recorded. The sector is expected to continue to flourish throughout 2021 as the growth of e-commerce will likely drive the demand for facilities to accommodate logistics. Furthermore, the growth of online groceries is expected to translate into increased demand for temperature-controlled warehouse space
- While the expansion of online retailing will likely be the main source of activity in 2021, it will probably be supplemented by further demand coming from the reconfiguration and expansion of supply chains to better prepare them for future disruptions and consumer demand shocks.
- The vacancy rate fell to 4.1% in 1Q 2021 and is expected to remain low with new units and built-to-suit opportunities often quickly absorbed. However, the secondary markets may suffer slightly more from the challenging macroeconomic outlook and preferences for modern facilities
- After the Global Financial Crisis, logistics developers are generally more cautious about speculative development. However, risk appetite for logistics is rising and an increase in speculative development over the next 12 months is likely
- Prime rental values continued to grow and reached €80.67 per sqm in 1Q 2021. The spread between prime and secondary rents is expected to widen further due to higher occupier demand for modern units

Industrial Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-2.7	2.1	↗
Industrial Production	-5.5	5.9	↘
Consumer Prices, average	0.4	1.1	Flat
Population (millions)	5.8	5.8	↗
Population Growth Rate	0.2	0.2	↗
Unemployment Rate	4.6	4.3	↘

Annual % change unless specified

- Lockdown measures likely caused the economy to contract by 1.5% in 1Q, however GDP growth is forecast to recover strongly throughout the rest of the year.
- The government is planning to have reopened significant parts of the economy once all people over age 50 have been vaccinated, which is currently expected to occur at the end of 2Q.
- The vaccine rollout, which had picked up since mid-February, has encountered some disruptions due to the government's suspension of the AstraZeneca vaccine. But a more broadly available vaccine supply should enable a complete relaxation of domestic restrictions at the start of 3Q. This relaxation plan raises GDP growth prospects for 2021 from 1.6% to 2.1%.

Investment Market

- Investor demand for logistic assets in Denmark continues to rise with the 1Q 2021 transaction volume totalling €405 million. This represents 46% of the value transacted throughout the whole of 2020. The strong occupier fundamentals within the market meant that investors have begun to take capital out of other sectors to specifically target logistics investment opportunities, and this trend is expected to continue throughout 2021
- So far, the travel ban has been no impediment for international investors, with foreign capital accounting for almost 100% of transactions in 1Q 2021. European investors were the most active, purchasing €353 million of assets, which represents 87% of activity, whilst global investors purchased €51 million of assets
- This trend looks set to continue due to a considerable amount of international capital currently looking to deploy into logistics due to the defensive, low-risk characteristics of the sector in Denmark
- The security of cash flow has become important from a pricing perspective, with investors increasingly targeting opportunities that specifically offer secure long income potential. Over the next 12 months, investors will likely continue to target core logistics assets as well as offices and multifamily. However, demand for value-add products in prime locations has also started to rise
- The strong demand for core assets continued to push down yields which were recorded at 4.5% in 1Q 2021, 50 basis points less than in 1Q 2020

Sources:
Oxford Economics - Denmark Economic Forecast April 15 2021
Real Capital Analytics – data as at April 28 2021
CBRE – Denmark market outlook 2021
CBRE– Market discussion with local research team 20 April

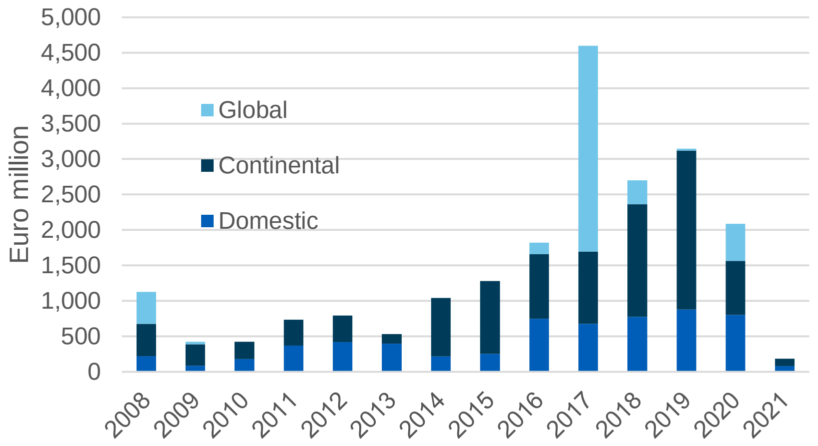
Finland

Office Market Outlook

Occupational Market

- Occupier sentiment for offices across Finland remains positive. Companies are optimistic about the second half of 2021 as vaccinations are well under way and the economy is expected to be reopened in the summer.
- Whilst there is currently more activity for smaller spaces, occupiers with larger requirements are already taking actions towards post COVID-19 workplace strategies. The discussions revolve around the assumption that most employees will work one or two days from home each week. However, this will likely by less of a disruption to the market than in other countries across Europe as employees in Finland would often work from home at least once a week before the pandemic hit.
- Occupiers continue to optimise their current office space by downsizing and subletting unwanted space back to the market. The demand for flexible and serviced offices has been a growing trend in the occupier market as well as the growing demand for more sustainable and certified office spaces.
- The vacancy rates remained flat across Finland at 12.6%, however availability is much tighter in Helsinki at 5.0%.
- There were no new office completions in the first quarter of 2021 in the Helsinki Metropolitan Area and the new office completions in 2021 are expected to be in-line with the long-term annual average of 80,000 sqm, with a further 82,000 to be delivered in 2022.
- Prime rents remained flat at €504 per sqm, and no rental growth is anticipated in the rest of the year.

Office Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-2.8	1.9	↗
Industrial Production	-3.1	2.3	↘
Consumer Prices, average	0.3	1.4	↘
Population (millions)	5.5	5.5	↗
Population Growth Rate	0.1	0.2	Flat
Unemployment Rate	7.8	7.6	↘

Annual % change unless specified

- The tightening of restrictions imposed on 1st March to contain the spread of the coronavirus is expected to lead to a mild contraction in 1Q GDP.
- Finland is ahead of its Nordic peers in terms of the rollout of the vaccine, which will likely lead to an easing of restrictions from late-2Q. As a result, Oxford Economics forecasts a recovery later this year, with GDP expanding by 1.9% in 2021, and 2.6% in 2022.
- The unemployment rate is forecast to fall only gradually this year, so wage growth and inflationary pressure will likely remain weak. Households are also likely to continue to hold higher precautionary savings as the timing of any easing restrictions remains uncertain. Both factors should weigh on private consumption

Investment Market

- The investment market was relatively quiet at the beginning of the year with 1Q 2021 transaction volumes totalling €185 million. Investment in Finland was down generally and despite the limited activity in the office sector, it still accounted for 36% of total investment with only residential achieving a higher proportion
- The Finnish property market has developed an increasingly international investor base and the market is strongly influenced by wider investment market conditions across Europe. Cross-border capital represented 55% of the office investment market in 1Q 2021
- The largest transactions in the first quarter were NREP's acquisition of the Metsä Group and MELA headquarters in Tapiola for €90 million, and DWS' purchase of two modern office properties from Regeneroin Keilaniemi
- Despite a slow start, there remains a significant amount of deployable capital in the market and investors continue to favour well-located offices with strong infrastructural fundamentals. Most foreign capital and institutional investors have focused their activity in the Helsinki CBD area, which has put pressure on prime yields in recent years. In 1Q 2021 prime yields remained flat at 3.5%
- The fall in occupier demand for secondary offices will likely increase obsolescence and the market may become increasingly polarised. This coupled with investors moving down the risk curve may reduce liquidity outside of the key urban markets and the spread between prime and secondary yields should increase

Sources:
Oxford Economics - Finland Economic Forecast April 15 2021
Real Capital Analytics – data as at April 28 2021
CBRE – Finland office market Q1 2021
CBRE– Market discussion with local research team 23 April

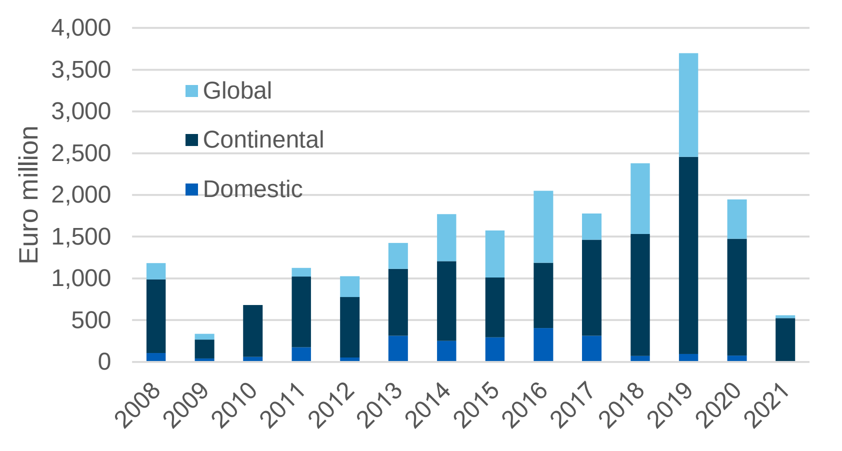
Poland

Office Market Outlook

Occupational Market

- Across Poland, leasing activity totalled 129,000 sqm, which was 27% below 4Q 2020, and 53% 1Q 2020. In Warsaw, the drop in demand was less significant, with 75,000 sqm leased, which was only 21% below the amount leased in 1Q 2020
- Within the capital, the most active occupier types were financial services, which accounted for 25% of take-up, manufacturing, and consumer services which both accounted for 19%. However, the largest deal was signed by public sector company, ZTM, which leased 9,800 sqm
- Several occupiers are actively reducing their real estate costs, and as a result there were a number of leases signed for sub-let space, which amounted to almost 5,000 sqm in Warsaw. This is a considerable increase in comparison to 1Q 2020
- Across Poland, the average vacancy rate increased during the first quarter from 11.2% to 12.0%. As well as weakening occupier demand, this was largely a result on development completions. In Warsaw where the vacancy rate rose from 9.9% to 11.4%, 167,000 sqm of new space was delivered across eight projects. The vacancy rate could rise higher this year with currently 400,000 sqm under construction, 174,000 sqm of which is scheduled for completion by the end of 2021. Of this space, only 44% is let so far
- The increase in availability, particularly of high-quality stock, has resulted in negative rental growth in Warsaw from €25 per sqm to €24.50 per sqm. Incentives which currently range between 7-10 months could also rise this year

Office Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-2.6	4.3	↗
Industrial Production	-2.0	12.9	↘
Consumer Prices, average	3.4	3.2	↘
Population (millions)	37.9	37.9	↘
Population Growth Rate	0.0	-0.1	↘
Unemployment Rate	5.9	6.3	↘

Annual % change unless specified

- A partial reopening of the economy supported activity in February and the first half of March. However, the health situation deteriorated sharply in March, with infection and hospitalisation numbers peaking around Easter. But the resulting reimposition of lockdown has not translated into a meaningful slowdown, as businesses have adjusted to the restrictions and external demand held up well
- Industrial production and retail sales rose strongly in March, with both high frequency data and sentiment surveys indicating the dynamic rebound will likely continue
- Overall, GDP is forecast to expand by 4.3% in 2021, increasing to 4.9% in 2022

Investment Market

- After the strong domination of the industrial sector in the investment market in 2020, the office market had the biggest share of transactions in 1Q 2021. Office investment volumes totalled €557 million, which accounted for 53% of investment activity across the country, followed by retail (14%, and residential (13%) acquisitions
- Office investors, adapting to the COVID-19 environment, continue their strategies of purchasing properties of a low level of risk. This has driven the demand for high quality assets in core locations
- Most investors targeted the Warsaw market, however, a few prime properties were sold in the regional cities Gdansk, and Szczecin. Also a third of the transaction volume came from the acquisition of the Buma office portfolio by Partners Group/Reino, consisting of 11 properties in Wroclaw and Krakow
- As the largest and most liquid investment market in central and eastern Europe, Poland continues to be attractive to foreign investors. European investors were particularly active with transaction volumes totalling €525 million, which accounts for 94% of investment activity. By comparison global capital purchased €32 million, whilst there were no transactions from domestic buyers in 1Q 2021
- The demand for core office assets meant that prime yields remained flat during the first quarter. Warsaw city centre has the lowest yields at 4.6%, followed by Wroclaw at 5.5%

Sources:
Oxford Economics - Poland Economic Forecast April 29 2021
Real Capital Analytics – data as at April 28 2021
CBRE – Warsaw office market Q1 2021
Axiimmo – Market discussion with local research team 27 April

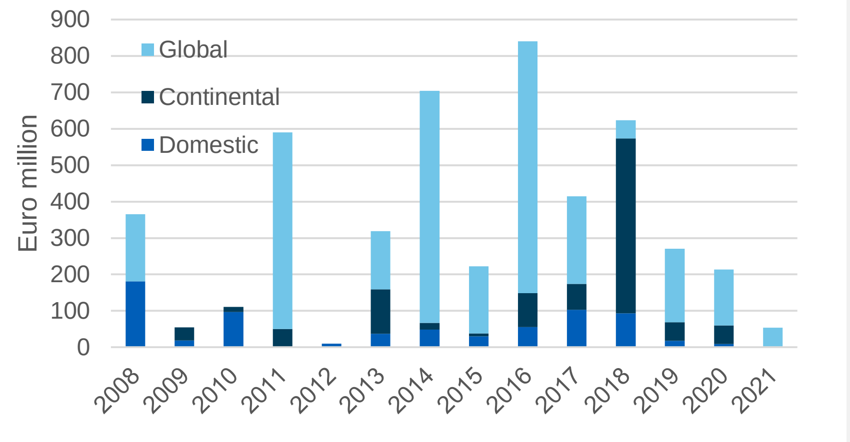
Czech Republic

Light Industrial / Logistics Market Outlook

Occupational Market

- The Czech industrial sector has so far largely benefitted from COVID-19-19 due to the growth of ecommerce and mail order services.
- Take-up in 1Q 2021 totalled almost 300,000 sqm, showing a small decrease of 10% on 4Q 2020, but an increase of 185% on the volume of space leased during the first quarter of 2020.
- Occupier demand in the first quarter was largely driven by manufacturing companies, which accounted for 37% of the total leasing activity. This was closely followed by the distribution sector, which accounted for 32%, and logistics companies with 27%.
- The largest letting in 1Q 2021 was an expansion of 29,000 sqm at Panattoni Park, Cheb, signed by Tchibo, which also renewed their 74,000 sqm premises. By the end of 2021, Tchibo will occupy over 100,000 sqm at this location
- The high demand for new space has led to a further reduction in the average vacancy rate to 3.2% in 1Q 2021 from 3.8% in 4Q 2020. Availability is particularly tight in Prague where the vacancy rate is now below 2%
- The lack of quality space in core locations has led many occupiers to sign pre-lets. In 1Q 2021, 68,000 sqm of new space was delivered across five buildings, and of this space 94% was pre-let
- The Czech Republic's industrial market has proven to be extremely resilient to market shocks, with the vacancy rate falling to 4.5%. Prime rents in Prague specifically increased this quarter by 4% to €61.20 per sqm, with potentially further rental growth expected this year

Industrial Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-5.6	2.9	↗
Industrial Production	-7.0	9.1	↘
Consumer Prices, average	3.2	1.9	↗
Population (millions)	10.7	10.7	↗
Population Growth Rate	0.2	0.2	↘
Unemployment Rate	3.6	4.2	↘

Annual % change unless specified

- Oxford Economics have lowered their 2021 GDP growth forecast from 3.3% to 2.9%, on the back of a likely slower recovery in the second half of the year. Industry and exports are expected to remain resilient, but private consumption will likely recover more slowly as the economy emerges from lockdown
- However, the recovery in 2022 is now expected to be much greater with GDP expanding by 4.6%.
- The labour market remains resilient thanks to continued fiscal support including the furlough scheme, but the unemployment rate nonetheless stood at 4.2% in March, 1.4 p.p. above the pre-pandemic level

Investment Market

- The transaction volume in 1Q 2021 totalled €54 million. This accounts for 27% of total investment during the first quarter, making logistics the most sought-after commercial sector in the Czech Republic
- The market is situated in a prime geographical location at the centre of Europe, and a natural crossroads for major transit corridors. This makes it a strategic option for investors as it provides an extensive network of transport routes, serving both domestic markets and surrounding European countries
- Despite travel restrictions brought on by the pandemic, global capital accounted for all transactions in 1Q 2021, with no activity from either continental or domestic investors
- Although the transaction volume looks low compared to historical figures, investor demand for logistics assets remains strong, but there is a shortage of product and sellers which is restricting sales
- Developers are also struggling to bring enough product to the investment market, since land banking is becoming narrow, and most of the market is represented by developers and investors with no exit strategy
- Prime industrial yields compressed in 1Q 2021 and converged with prime shopping centre yields for the first time. Yields are at their lowest in Prague at 4.75%, compared to 5.5% in the rest of the country. Further yield compression is anticipated in over the next 12-18 months

Sources:
Oxford Economics - Czech Republic Economic Forecast April 27 2021
Real Capital Analytics – data as at April 28 2021
Avison Young – Market discussion with local research team 29 April
CBRE – Czech logistics Q1 2021
CBRE – Czech outlook 2021

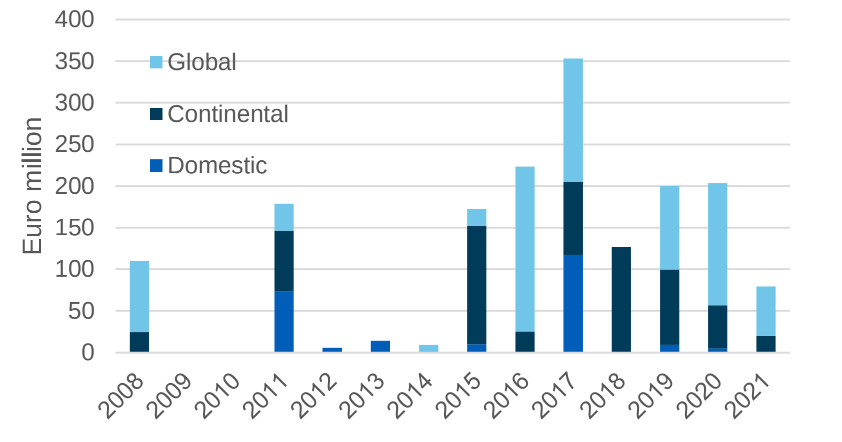
Slovakia

Light Industrial / Logistics Market Outlook

Occupational Market

- Occupier sentiment for logistics space remains positive across Slovakia. In 1Q 2021 leasing activity totalled 72,000 sqm
- Whilst this was 64% less than the volume of take-up in 4Q 2020, it was still a 4% increase on 1Q 2020
- With the majority of the logistics stock concentrated within the Greater Bratislava region, leasing was most active here, with distribution companies expanding their networks in response to expanding e-commerce demand. 49,000 sqm was leased in Bratislava, which accounts for 69% of activity, compared to 22,000 sqm in the rest of the country
- The automotive industry is one of the main drivers of Slovakian economy, bringing investment, employment, and innovation. Throughout COVID-19-19, the industry has been facing significant challenges which led to a drop in occupier demand. However, the sector is expected to return to pre-crisis levels during 2021, with a full recovery in 2022.
- On average, the vacancy rate increased slightly in 1Q 2021 from 7.7% to 8.4%. However, despite several projects being developed on a speculative basis, it is not expected that the vacancy rate will grow dramatically with occupier demand expected to rise in the sector.
- Prime rents in Slovakia remained stable at €46.80 per sqm, and due to the increasing level of demand for high quality assets, positive rental growth may occur in some locations over the next 12 months

Industrial Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-5.2	4.3	↗
Industrial Production	-9.1	9.0	↘
Consumer Prices, average	1.9	2.0	↗
Population (millions)	5.5	5.5	↗
Population Growth Rate	0.0	0.0	↗
Unemployment Rate	6.7	7.9	↘

Annual % change unless specified

- Industrial production exceeded expectations in February by growing 1.5% despite automotive manufacturing being held back by supply shortages. The sector seems to have overcome supply chain disruptions, while both domestic and foreign new orders are looking healthy
- However, Oxford Economics have reduced their 2021 GDP growth forecast from 4.5% to 4.3%, with a slower rebound expected in the second half of the year due to a more gradual recovery in private consumption
- Slovakia has curbed its COVID-19 infection rate, but restrictions remain in place. The economy will pick up momentum into 2022 as pent-up demand will continue to be released, with GDP forecast to expand by 4.6%

Investment Market

- Investor sentiment for Slovakian logistics assets remains positive, with the transaction volume in 1Q 2021 totalling €80 million. This accounts to 40% of the total volume transacted in the whole of 2020 on logistics
- Industrial real estate was the most attractive sector for investors with a share of approximately 57% of total investment in 1Q. the weight of capital targeting the sector would suggest that investment volumes will likely continue to grow in 2021 and exceed the last three years
- Investment in the CEE industrial market remains an attractive offer for several investors due to relatively low lot sizes for single asset transactions, combined with long income offerings. However, many single industrial assets are too small to attract interest from institutional capital and Slovakian assets are often acquired through portfolio transactions
- In 1Q 2021, foreign investors dominated the market, and in particular global capital which purchased €60 million of assets, compared to European investors which purchased €20 million of assets. Domestic capital has always been subdued in this market
- The construction of the D4 highway, which is commonly referred to as the Bratislava bypass, and the R7 expressway in southern Slovakia, should complete this year, opening potentially new markets for both investors and developers
- Prime yields remain at 6.15% across Slovakia and are forecast to remain at this level for the rest of the year, having fallen from 6.35% in 2020

Sources:
Oxford Economics - Slovak Republic Economic Forecast April 27 2021
Real Capital Analytics – data as at April 28 2021
Avison Young – Market discussion with local research team 29 April

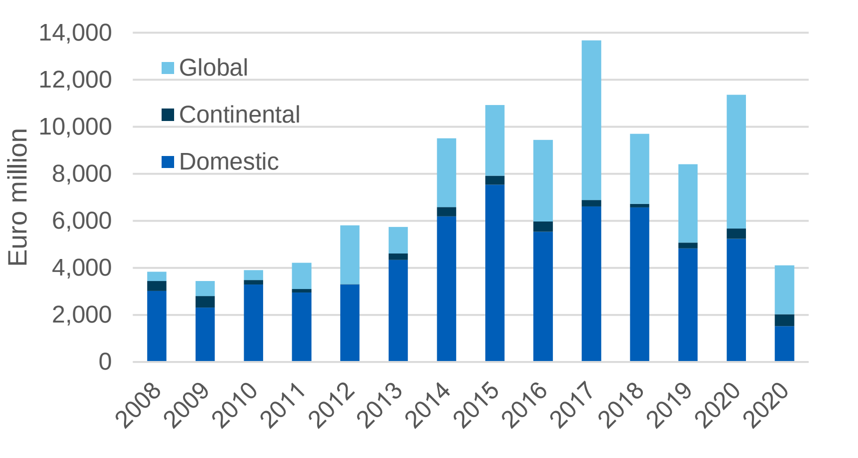
The United Kingdom

Light Industrial / Logistics Market Outlook

Occupational Market

- In 1Q 2021, 484,000 sqm of logistics space was taken-up in the UK. COVID-19 has had significant implications for the way we live, work and shop, which has in turn impacted existing logistics supply chain networks. This, in addition to the new Brexit arrangements and recent government policy announcements has continued to create significant activity in the occupier market.
- Occupier interest was focused on up-and-built stock in 1Q, with roughly 70% of activity involving either secondhand or speculatively built buildings. This stands in contrast with activity in 2020 where pre-lets and forward-commitments were more commonplace, highlighting the increased urgency of current occupier requirements.
- Occupier demand in 1Q was more diverse than in 2020. Manufacturers bounced back after a quiet 2020 and several interesting new sub-sectors, such as green energy production and manufacturing, film and TV production studios, home improvement and specialist food manufacturers/logistics, were all active taking space.
- The combination of occupiers taking up-and-built stock, together with the significant volume of space under offer, resulted in a sharp reduction in availability in 1Q. The UK vacancy rate fell to 3.7%.
- Over the last six months developers have been acquiring sites and working up planning applications to capitalise on current market conditions. In total, over 12m sq ft of planning applications were submitted in 1Q, the highest in more than four years.
- The demand for new space resulted in further rental growth. Rents grew on average by 6% in 1Q, with prime rents reaching €208.50 per sqm in the South East region

Industrial Volumes by Capital Source



Economy

Indicator	2020	2021	2022 Outlook (vs 2021)
GDP Growth	-9.8	7.7	↘
Industrial Production	-8.0	4.7	↘
Consumer Prices, average	0.9	1.4	↗
Population (millions)	67.1	67.2	↗
Population Growth Rate	0.4	0.2	↗
Unemployment Rate	4.5	5.5	↘

Annual % change unless specified

- GDP in February was only 7.9% below the pre-pandemic level of output, a far cry from the near-25% hit seen in April 2020. Consumers and firms have increasingly adapted to life under lockdown, finding ways of keeping activity closer to 'normal' levels
- This continued into March. Business surveys report a strong pick-up in activity and debit and credit card data showing significant consumer spending. There would also likely have been a boost to output from the re-opening of schools
- With the continued success of the vaccine rollout, Oxford Economics now forecast the economy to grow by 7.2% this year, and 5.7% in 2022

Investment Market

- Since it became clear that the logistics sector was set to benefit from COVID-19-19, the weight of money targeting the sector has increased substantially. In 1Q 2021 the transaction volume totalled €4.1 billion, which accounts for 35% of investment activity in the UK, making industrial assets the most sought-after sector
- Capital previously allocated to retail or office sectors was re-routed to industrial and existing capital targeted at industrial was increased. However, available investment stock remains in short supply, with few motivated sellers outside of profit-taking owners looking to sell and recycle capital back into the sector
- Portfolios were a key driver of the investment volume in 1Q, accounting for 30% of all activity and helping to almost double the average lot size since the onset of the pandemic.
- Foreign investors continued to be the main source of capital in 1Q, accounting for 63% of activity compared to domestic investors at 37%. Most of the transaction came from global investors which purchased €2.1 billion, compared to European investors which purchased €508 million
- Such market conditions have had a profound impact on capital values, with average prime yields moving in an additional 15bps in 1Q to 3.75%
- As other property sectors begin to show signs of stabilisation due to the lockdown gradually lifting and bond yields increasing, downward intensity is likely to ease. That said, industrial is still expected to again be the sectoral outperformer in 2021

Sources:
Oxford Economics – United Kingdom Economic Forecast April 15 2021
Real Capital Analytics – data as at April 28 2021
Gerald Eve – Prime logistics Q1 2021

Disclaimer

This “Economic and Real Estate Country Update Supplement” presentation shall be read only in conjunction with and as a supplementary information to the interim business update on the operational and financial performance of Cromwell European Real Estate Investment Trust’s (“CEREIT”) for the first quarter ended 31 March 2021.

This presentation is for information purposes only and does not constitute or form legal, financial or commercial advice, or a recommendation of any kind, part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of CEREIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. Nothing herein should be or deemed to be construed, or relied upon, as legal, financial or commercial advice or treated as a substitute for specific advice relevant to particular circumstances. It is not intended nor is it allowed to be relied upon by any person. The value of units in CEREIT (“Units”) and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by Cromwell EREIT Management Pte. Ltd, as manager of CEREIT (the “Manager”), Perpetual (Asia) Limited (as trustee of CEREIT) or any of their respective affiliates. The past performance of CEREIT is not necessarily indicative of the future performance of CEREIT.

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. These forward-looking statements speak only as at the date of this presentation. No assurance can be given that future events will occur, that projections will be achieved, or that assumptions are correct. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages benefits and training, property expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

Prospective investors and unitholders of CEREIT (“Unitholders”) are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Manager on future events. No warranties, representations or undertakings, express or implied, is made as to, including, inter alia, the fairness, accuracy, completeness or correctness for any particular purpose of such content, nor as to the presentation being up-to-date. The content of this presentation should not be construed as legal, business or financial advice. No reliance should be placed on the fairness, accuracy, completeness or correctness of the information, or opinions contained in this presentation. None of the Manager, the trustee of CEREIT or any of their respective advisors, representatives or agents shall have any responsibility or liability whatsoever (for negligence of otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. An investment in Units is subject to investment risks, including possible loss of the principal amount invested.

Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “SGX-ST”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

CROMWELL
EUROPEAN REIT

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.