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EUROPEAN REIT



Acquisition of a Freehold Logistics Asset in the United Kingdom

4 August 2021



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A. Transaction Overview



Freehold Logistics Asset in the United Kingdom (UK)

9,764 sqm newly-refurbished asset on a 20,438 sqm site in Kingsland 21, Warrington

Property type	Logistics
Purchase price	£10.0 (€11.7 ¹) million
Land lease tenure	Freehold
Site area (sqm)	20,438
Floor area (sqm)	9,764
NOI yield ² (NOI / purchase price)	5.6%
Occupancy (as at 1 August 2021)	100%
WALE ³ (as at 1 August 2021)	10 years
No. of tenant-customers	1
Key tenant-customers	Panther Warehousing Ltd
Last Refurbishment	2021
Completion date	3 August 2021



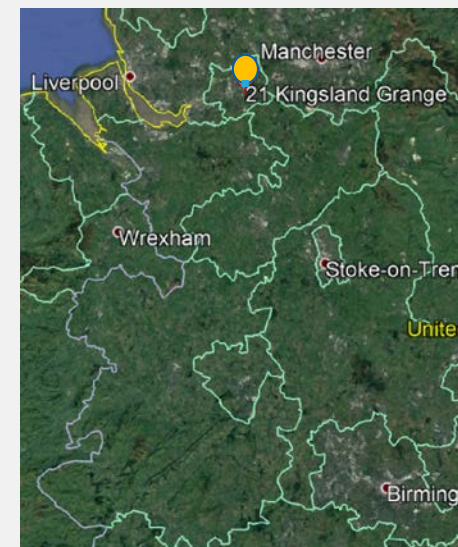
100%
Occupancy rate



10 years
WALE³



£10.0 (€11.7¹)
million



Highlights

- Well-located:** Situated in the excellent logistics location of Kingsland Grange Industrial Estate in Warrington, North West England; close to the major cities of Liverpool and Manchester, with good connectivity to major motorway networks, two airports and a deep-sea port
- Good quality logistic asset:** Originally constructed in 1980 and recently refurbished this year ahead of the new lease; opportunity for asset and value enhancement over the long term through lifting the lower ceiling span height of the older-style warehouse to achieve A-grade standard
- Secure, long-dated income backed by a good tenant-customer:** Stable and recurring cashflows, 100% occupancy rate and long WALE³ profile at 10 years and WALB⁴ profile at 5 years, recently leased to a leading UK two-man B2C⁵ premium home delivery specialist
- Attractively priced:** Purchase price of £10.0 (€11.7¹) million is at a ~3% discount to an independent valuation from Savills Advisory Services Limited⁶ (£10.3 million), and at 32% discount to replacement cost⁷

1. A spot rate of £1:€1.17 has been used unless otherwise indicated
2. NOI yield is calculated as the annualised Day 1 net operating income pre-asset management fees divided by the purchase price excluding transaction costs
3. Weighted Average Lease to Expiry
4. Weighted Average Lease to Break
5. Business to Consumer
6. As commissioned by Cromwell EREIT Management Pte. Ltd. In its capacity as manager of CEREIT and Perpetual (Asia) Limited in its capacity as trustee of CEREIT
7. Based on independent reinstatement valuation from Paragon (£14.9 million)

Strategic Location at the Heart of the UK North West Region

Ideal distribution location for logistics and industrial occupiers

The UK North West Region

- Warrington is located at the heart of the North West region and its motorway network, where it is situated 20 miles east of Liverpool and 18 miles west of Manchester
- The property is located on a site adjacent to the M6 and M62 motorways
- The M6 is one of the UK's most important motorways, providing North / South access to the wider motorway network, including the M58 (serving Merseyside to the North), the M62 (West to East England motorway axis) and the M56 (North Wales to Manchester) to the South, as well as direct access to Birmingham, the UK's second largest city
- Warrington benefits from three convenient sea and air connections within 30 min (Liverpool John Lennon Airport, Manchester Airport and Port of Liverpool)



Good connectivity to major motorway networks





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B. Key Investment Highlights



Warrington, United Kingdom

Key Investment Highlights of the Acquisition

1

Consistent with the Manager's investment strategy

- At least 75% of assets within Western Europe and at least 75% of assets in office and light industrial / logistics
- Aligned with CEREIT's current pivot towards 50% in light industrial / logistics sector

2

Increase CEREIT's exposure to logistics and to attractive liquid markets

- Increases the weighting of the light industrial / logistics segment in CEREIT's portfolio to 39%, up from 38% (based on portfolio value)
- CEREIT's first acquisition in the attractive and highly liquid UK real estate investment market, which saw €11.4 billion worth of industrial and logistics asset transactions in 2020 – equivalent to 21% of Europe's total transactions volumes¹

3

Stable and recurring cashflows for 10 years

- Open market rent review in May 2026 is expected to allow CEREIT to take advantage of projected estimated rental value growth
- New 10-year lease to a single tenant-customer – a leading UK B2C 3PL²
- Newly-refurbished freehold asset with possibility for asset and value enhancement over the long term through raising the ceiling span height to achieve A-grade standard

4

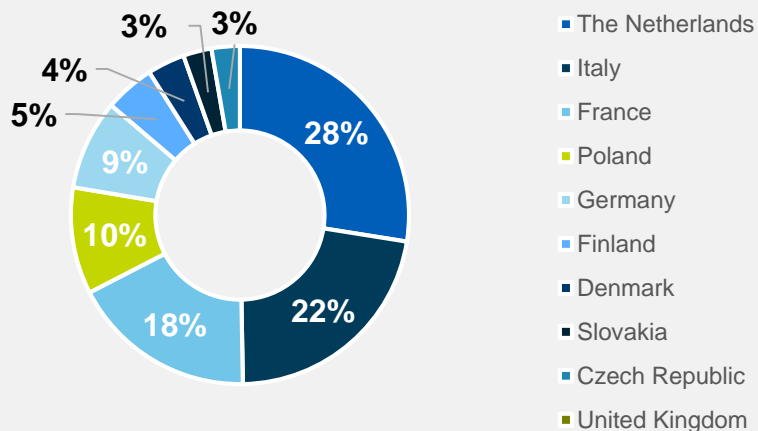
Attractive price and risk-return profile and a good portfolio fit

- Purchased for £10.0 (€11.7³) million at 5.6% NOI yield, ~3% discount to an independent valuation from Savills⁴ (£10.3 million) and at 32% discount to replacement cost⁵
- Opportunity to acquire a property that compares favourably to CEREIT's internal risk rating, enhancing the risk-return profile of the portfolio

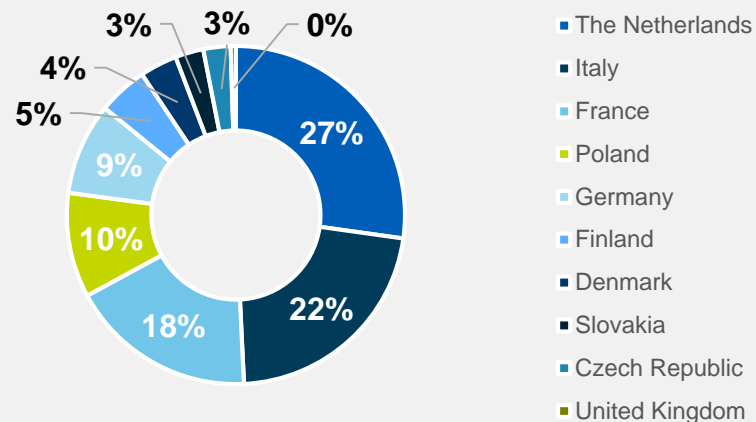
Portfolio Composition – Before and After

Consistent with CEREIT's strategic objective of increasing its portfolio weighting of light industrial / logistics segment

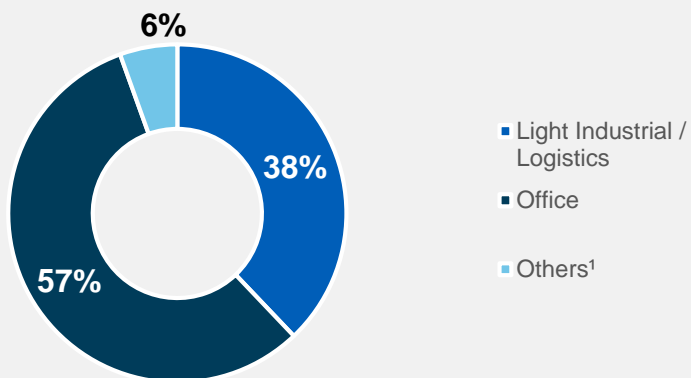
Portfolio composition by geography (existing)



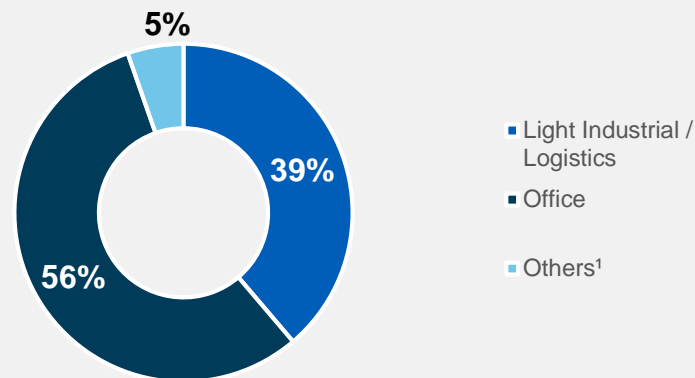
Portfolio composition by geography (incl. acquisition)



Portfolio composition by sector (existing)



Portfolio composition by sector (incl. acquisition)



Freehold Logistics Asset in the United Kingdom

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C. The United Kingdom: Economic and Logistics Market Overview



Strengths of the United Kingdom market



Real estate investment market

One of the largest, most liquid markets in Europe, the UK consistently ranks above, or alongside, Germany in terms of investor activity. It accounts for 25%¹ of all commercial real estate deals in Europe over the long-run average, attracting capital from around the world



Economic size and growth potential

Ranked the fifth largest economy in the world and **second largest in Europe**, the UK has a growth forecast of 7.3% in 2021, supported by a swift vaccine rollout (where 88% of the adult population has received one dose and 71% received a second). It will be the second fastest growing economy in mature Europe in 2021, maintaining a **growth rate of 3.8% annually over the next five years**²



Occupier base

A breadth and depth of companies drawn from a wide reaching spectrum of industry sectors, enabling the creation of a **resilient tenant-customer portfolio**



Business framework

Ranked first in the 2020 Global Real Estate Transparency Index³ and noted for transparency ratings, anti-money laundering regulations and **strong focus on sustainability**. The UK offers a **stable and democratic political system**, as well as a regulated market-oriented economy



Employment

Home to a number of world-renowned universities, the UK offers a highly educated / skilled and diverse labour market, with 40% of working-aged people holding a degree



The UK is part of Europe

While the UK may have left the European Union, it is still situated geographically within and historically linked to continental Europe. With a trade agreement with the EU, the UK is also free to negotiate its own trade deals with other countries

Rebound in UK macroeconomic environment

Pace of vaccine rollout is critical for stability



GDP to recover in 2021-2022

- Positive GDP growth of 7.3% in 2021 is expected, following the -9.9% rate in 2020 as lockdowns affected large parts of the economy
- Strong economic growth will continue in 2022 (6.7%), fuelled by pent-up consumption demand and economic expansion will moderate from 2023 onwards, though this will still remain positive



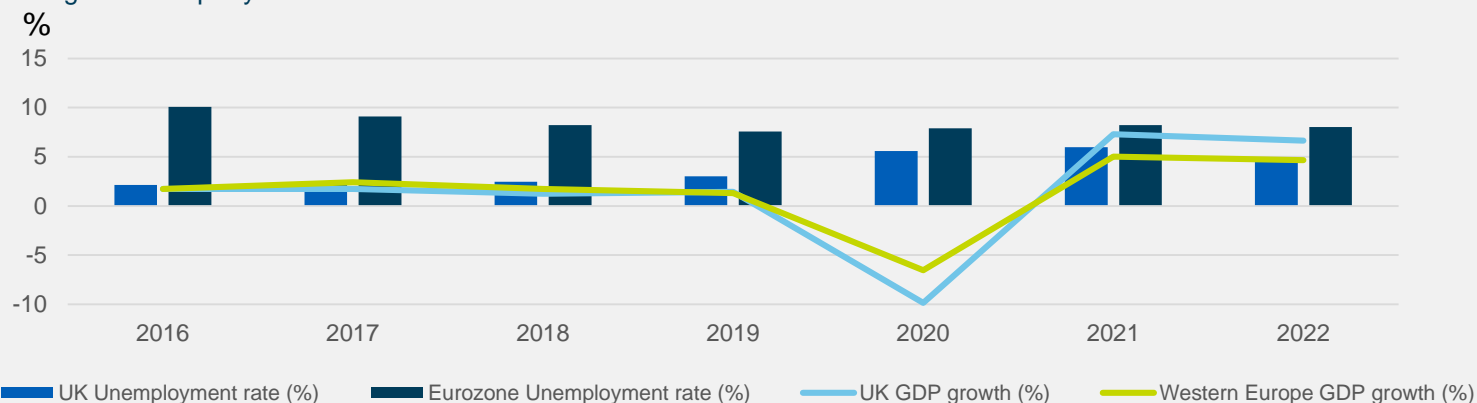
Consumption led recovery

- With the efficient rollout of two vaccines, all legal restrictions were removed on 19 July, and there is increased confidence for a consumption-led recovery to take root in 2021

Unemployment to decline from 2022



- Unemployment rates is expected to decline to 4.0% in 2024 and hover around this level as the vaccine rollout continues apace, putting upward pressure on wage growth, following the 6.0% peak in unemployment peaking in 2021
- The extended furlough scheme is scheduled to last till September 2021 and has been effective in preventing a surge in job losses so far; however, but this has also increased the level of debt
- Employment levels are expected to increase over the next 10 years by an average of 0.6% per annum, ahead of the Eurozone average of 0.4% per year



Source: Oxford Economics

Cross-border Investments in European Real Estate

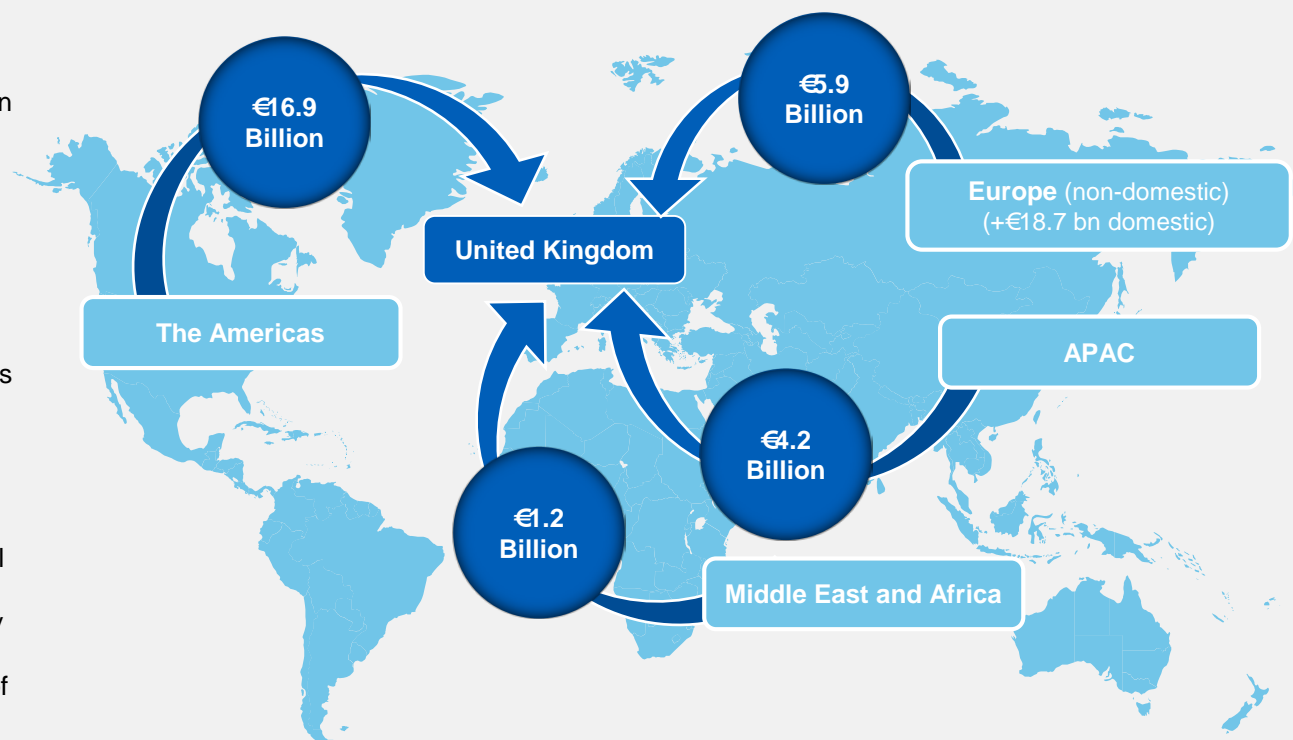
Global capital continues to find executable opportunities in the UK

Large, mature market offering a range of quality product across multiple regions

UK real estate market

- €53.4 billion has been invested into the UK real estate market in the 12 months to March 2021 across all sectors
- Cross-border capital accounts for, on average, 52% over the past ten years
- 15+ cities with investment volumes in excess of €1 billion (over 5 years) offering a diversity of liquid, regional markets
- Long-term income, defensive sectors such as residential and logistics come to the fore; 10-year average share of logistics is 16%, rising to 21% in 2020, and 35% of 1Q 2021
- The UK is one of the most liquid real estate markets in the world and the largest logistics market in Europe by a fair margin – in 2020, €11.4 billion transacted, reflecting a 21% share of Europe's industrial trades

Cross-border activity: 12 months to March 2021



Source: Real Capital Analytics – data as at 26 July 2021

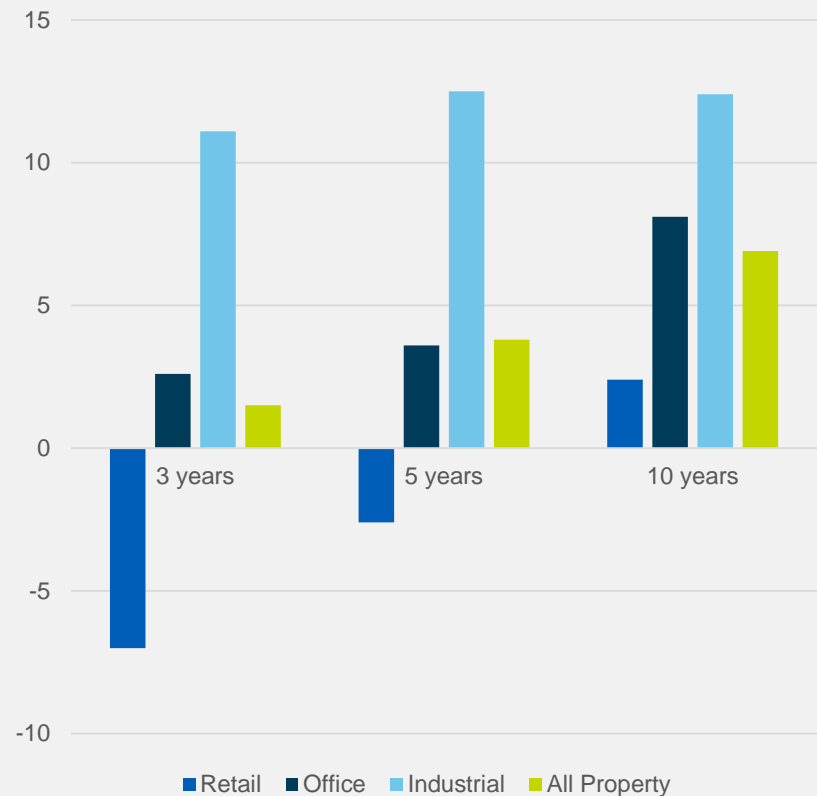
Why UK Light Industrial / Logistics Now

Strong investment performance compared to other UK real estate sectors

Long-term market fundamentals in place

- **Stable** cashflow, **attractive running yields** and **income growth** through active asset management
- MSCI data shows industrial total returns have exceeded all other sectors over the past 3, 5 and 10 year periods
- **Structurally evolving UK logistics market**, driven by the continued rise of e-commerce, technological advances which facilitate the smoother integration of efficiencies and environmental, social and governance goals into communities
- Strong supply and demand dynamic has fostered the environment for **positive rental growth**
- **Defensive and resilient** market, with continued performance demonstrated in the face of disruption outperforming initial market expectations
- Brexit **opportunities** outweigh risks – new trade deals, stock-piling, domestic growth
- **Increasing** occupier **demand** and continued investor appetite have been accelerated by COVID-19 pandemic
- Logistic yields offer a **significant margin** compared to the 10-year UK government bond rate

UK annualised total returns by sector (%)



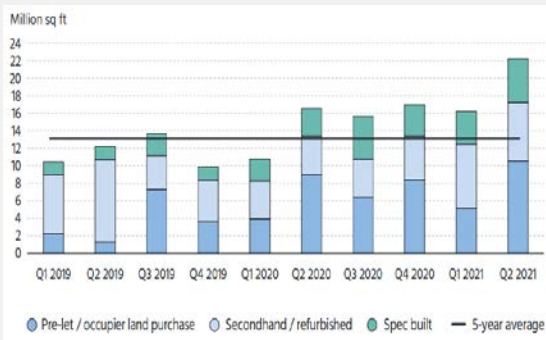
Resilience of the UK Logistics Sector

Occupational demand is underpinned by robust fundamentals

Occupier Demand

- Occupier take-up was 22.3 million sq ft in 2Q 2021 – a third higher than in Q1 and over **two-thirds above the 5-year quarterly average**
- Diversified** between three supply chain sectors: 3PLs, Manufacturers and Retailers
- E-commerce is driving demand** as occupiers optimise supply chains and logistics networks to best position themselves to benefit from online growth

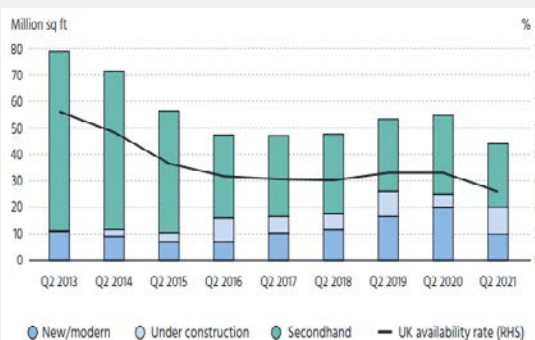
Annual take-up by property quality and 10-year annual average



Supply

- Low availability** for new or refurbished space with tight vacancy, at around **2.2%**
- Low overall availability rate of 5.2% in the UK** (rates under 12% typically results in **positive rental growth**)
- The availability of up-and-built new or refurbished stock is now at a record low in nearly all UK markets, especially in London, the South East, and prime locations in the Midlands

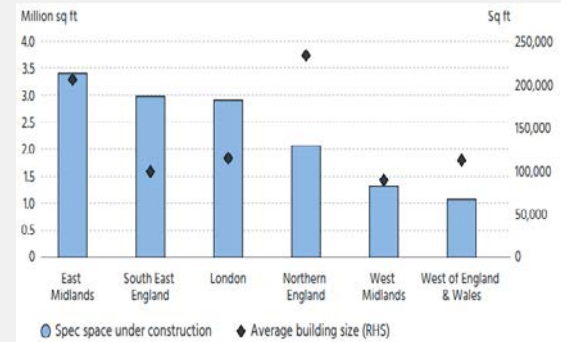
Availability by quality and UK availability rate



Development

- Development starts have consistently been above 20 million sq ft every year for the last five years
- At end of 2Q 2021 there was over 41 million sq ft of space under construction across the UK and a third of it was speculative
- For the last 10 years development volumes have been driven by purpose-build schemes

Speculative space under construction and average building size



Factors affecting the Logistics / Light Industrial sector

Macro drivers and trends



E-commerce

Changing consumer habits have led to a rise in online purchases and increasing demand for shorter order-fulfilment times, which in turn translates into increased demand for warehouses to support urban / last mile solutions



Automation

The logistics sector is at the forefront of embedding efficiencies via automation, impacting not only the design but location of assets



Technology

Advancement of technology will enable longer journeys around the clock, so long as regulation keeps up in parallel. Access to power and energy will be a key factor in making decisions on warehouse location



Sustainability

Occupier preferences and government-led initiatives are leading the way for better talent attraction and retention as well as improved integration into communities, underpinned by the reality that ESG will play a more significant role going forward



COVID-19 resilience

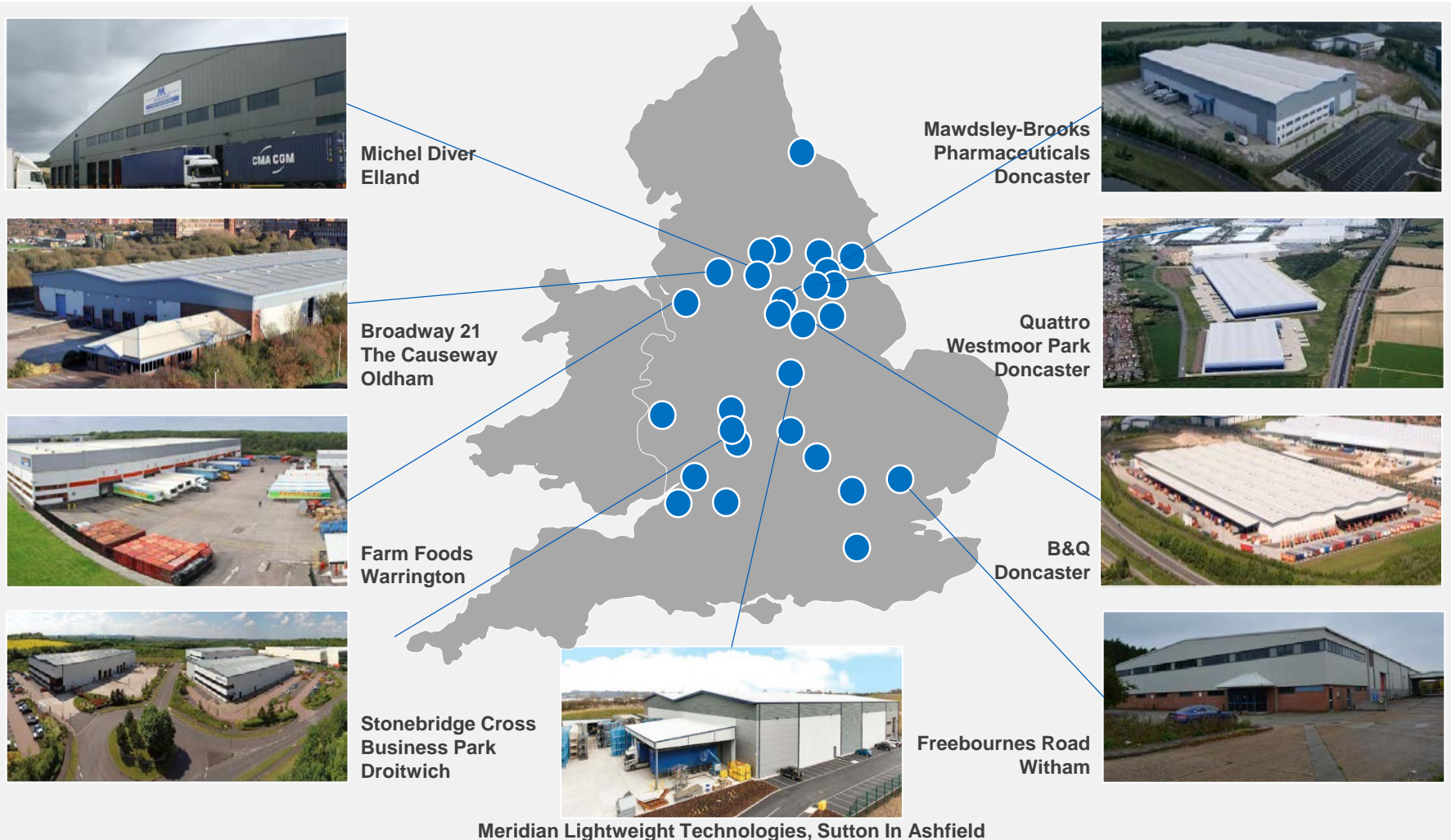
Restrictions in movement resulting from lockdown measures led to increased consumer demand for food delivery and online shopping, which in turn contributed to higher demand for logistics space from food retailers and online operators. The demand for transportation and storage of vital medical supplies will also remain high in the foreseeable future, which means that some of these conversions will be permanent

D. Appendix



Cromwell's UK Logistics Experience

Leveraging Cromwell's depth of experience to acquire and manage assets, and deliver value and performance



Disclaimer

This presentation shall be read only in conjunction with and as a supplementary information to Cromwell European Real Estate Investment Trust's ("CEREIT") media release dated 4 August 2021 published on SGXNET relating to the Acquisition of a Modern Freehold Logistics Asset in the United Kingdom.

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