



CROMWELL
EUROPEAN REIT



Acquisition of a Freehold Logistics Asset in Mira, Greater Venice, Italy

1 November 2021



Rationale and Key Benefits

1

Consistent with the Manager's investment strategy

- Acquisition is CEREIT's third Italian light industrial / logistics asset; further builds CEREIT's light industrial / logistics scale in this market accretively
- Acquisition advances CEREIT's pivot to a 50% portfolio weighting towards the light industrial / logistics sector
- CEREIT's investment strategy is focused on maintaining a portfolio allocation of least 75% within Western Europe

2

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

- Acquisition price of €19.6 million (approximately S\$30.6 million¹) is 6.7% below independent valuation
- Attractive 6.5% NOI yield², reflects a good margin to prime yields for Italian logistics³
- Purchase price of €702 per sqm is significantly below the estimated replacement cost of approximately €1,342 per sqm (including land and the current estimated cost of the automation storage system included in the purchase price)
- Asset risk rating compares favourably to CEREIT's internal risk rating thresholds, enhancing the portfolio's risk-return profile

3

100% occupied with a long-term lease major MNC⁴ tenant-customer

- Freehold, light industrial / logistics warehouse developed in 1998 as a build-to-suit warehouse for high-quality tenant-customer Reckitt Benckiser Group, to serve as a key Italian logistics centre
- As the sole tenant-customer, Reckitt Benckiser Group, renewed its lease at the beginning of 2021 for a long duration exceeding eight years, with typical extension options and specific early withdrawal notice periods
- Reckitt Benckiser Group is a major global FMCG⁵ company and one of the leading manufacturers of health, hygiene and nutrition products in the world, with a market capitalisation of £39 billion⁶ (S\$72.2 billion¹) and an S&P⁷ credit rating of 'A'

4

Highly desirable strategic logistics location in Italy

- Excellent logistics location in Mira, Greater Venice, in the Veneto region, which is close to the major cities of Venice and Padua, and has good connectivity to major motorway networks, airports and a deep-sea port in Venice
- Greater Venice, Veneto is one of the wealthiest and most heavily industrialised regions in Italy (~10% of Italy's GDP), supported by robust household consumption and income levels (11% and 12% above the national averages, respectively)
- Veneto is among the top three logistics markets in Italy⁸, and is highly desirable to industrial and logistics occupants and international investors

Acquisition Highlights

Freehold, 100% occupied light industrial / logistics property with gross floor area of 27,938 sqm and attractive 6.5% NOI yield

Property type	Light industrial / Logistics
Purchase consideration	€19.6 (S\$30.6) million
Land lease tenure	Freehold
Site area (sqm)	47,787
Floor area (sqm)	27,938
NOI yield ¹ (NOI / net purchase price)	6.5%
Occupancy (as at 13 October 2021)	100%
No. of tenant-customer(s)	1
Key tenant-customer(s)	Reckitt Benckiser Group
Tenant-customer lease tenure (as at 1 January 2021)	>8 years ³
Completion date	29 October 2021



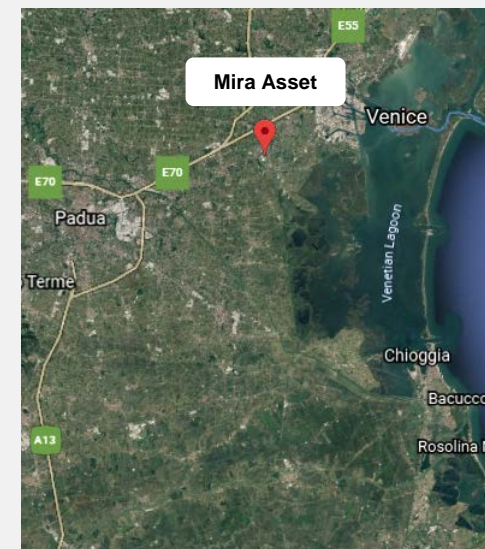
100%
Occupancy rate



6.5%
NOI yield¹



€19.6 (S\$30.6²)
million



Highlights

- **Well-located:** Situated in the excellent logistics location of Mira, Greater Venice, Italy; close to the major cities of Venice and Padua, with good connectivity to major motorway networks, airports and a deep-sea port in Venice
- **Secure, long-dated income backed by a high-quality tenant-customer:** Stable and recurring cashflows, 100% occupied with a long-term lease for >8 years² in place to Reckitt Benckiser Group, one of the world's leading FMCG⁴ companies with market cap of £39 (S\$72.2²) billion³, an S&P⁴ credit rating of 'A-' and 43,000 employees in over 60 countries
- **Attractively priced:** Purchase price of €19.6 (S\$30.6²) million is at a 6.7% discount to an independent valuation by CBRE

Freehold Logistics Asset in Greater Venice, Italy

Fully occupied on a long-term lease to high quality tenant-customer Reckitt Benckiser Group

Asset Highlights

- Developed in 1998 as a build-to-suit warehouse to serve as a key Italian logistics centre for major British FMCG multinational Reckitt Benckiser Group
- 47,787 sqm site area consists of 27,938 sqm¹ warehouse with a small office component and ~21,000 sqm of external area
- Warehouse has 21 loading bays (out of which 17 have electromechanical platforms and automatic doors) and includes an extensive 'state-of-the-art' automated system for goods storage and distribution
- Warehouse floor has exceptional load bearing of 15 tons per sqm with a high storage area under-beam height of 11.65 m
- Asset is currently not equipped with a BREEAM¹ certification, but could achieve an 'Acceptable' level with a score of 20.15%, based on current asset technical specifications. The Manager plans to undertake works that will result in an improved BREEAM² certification as part of its commitment to ESG targets and future proofing CEREIF's core assets



Strategic Location in the Veneto Region

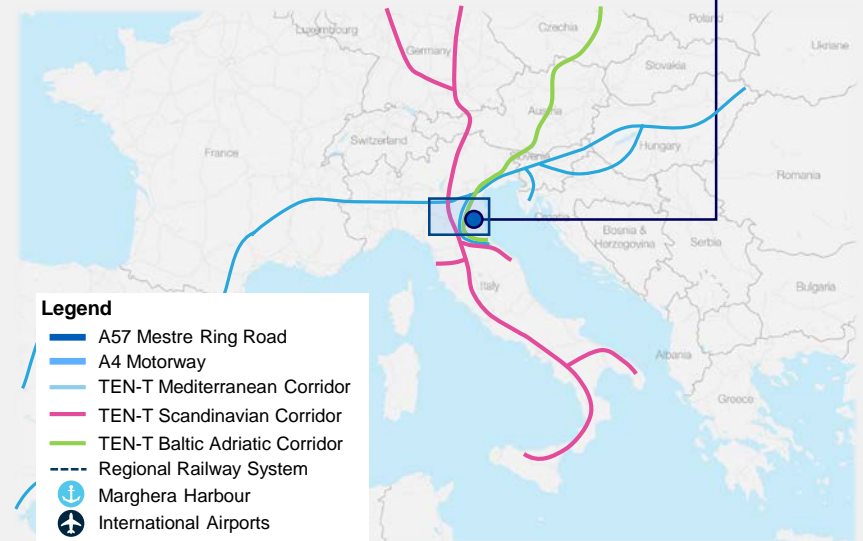
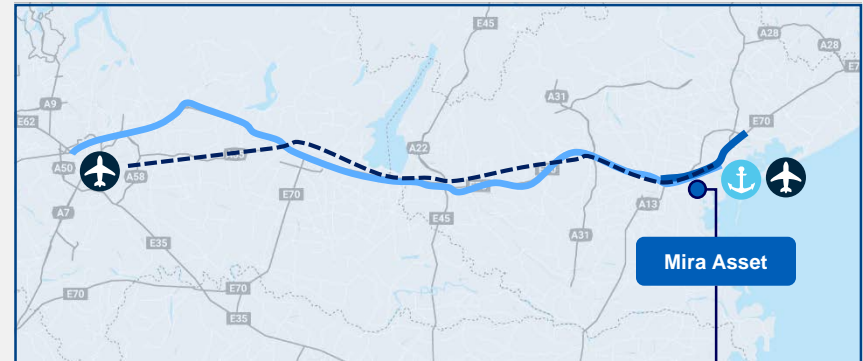
One of the wealthiest and most heavily-industrialised regions in Italy

Prime location in Mira, Greater Venice

- Located less than an hour's drive away from Venice and Padua and 18 km away from the Marghera harbour (the commercial and logistics port of Venice)
- Asset is easily accessible and served by the Mira-Oriago junction on the Mestre ring road A57 that is connected to the A4 motorway and is in close proximity to four train stations
- The Turin-Milan-Venice-Trieste A4 motorway is Italy's main west-east communication road across the industrialised North, and is a part of the broader TEN-T Mediterranean corridor that runs from Spain to Central and Eastern Europe
- The Veneto logistics corridor is one of the core markets in Northern Italy developed along the A4 motorway and benefits from a strategic position with access to a number of important crossroads between the Mediterranean Corridor, the Scandinavian Corridor and the Baltic-Adriatic Corridor



Good connectivity to major motorway networks



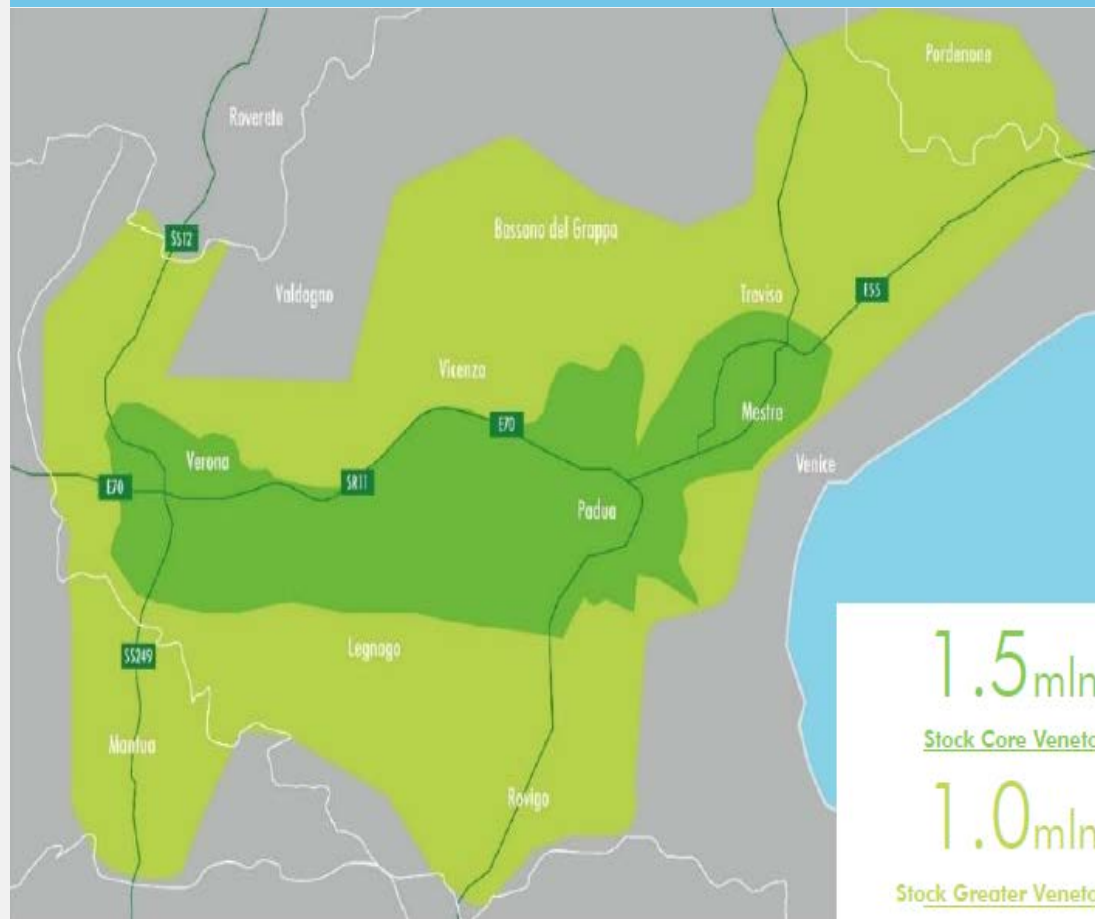
Veneto Corridor's Strategic Location

Highly desirable as a destination for logistics operators and international investors

Key statistics

- With a century-long legacy of being a manufacturing hotspot, Veneto has proven to be a location of choice for key Italian and global multinationals looking to establish their headquarters and production sites in the region-
- The Core Veneto Corridor area has ~1,548,000 sq-m of logistics stock
- The Greater Veneto Corridor area has ~979,000 sqm of logistics stock and 5.2% vacancy rate
- In 2020, some 140,000 sqm was absorbed within the Veneto Region, accounting for 7% of national take-up and coming in as the third-highest market within the nation, in terms of take-up volumes
- Take-up in 1H 2021 (167,000 sqm) surpassed the entire 2020
- Third-party logistics accounted for the most take-up in 2021 and 2020, with e-commerce a close second

Veneto corridor logistics market – core and greater area



Strengths of the Italian Logistics Market



Real estate investment market

One of the largest, most liquid markets in Europe, consistently achieving top rankings in terms of investor activity, and attracting capital from around the world



Economic size and growth potential

Italy is one of the three key economies within the Eurozone (€1.6 trillion GDP¹ in 2020)

The domestic market offers many opportunities, with a population of 59 million people and €27,800 GDP¹ per capita



Strategic logistic hub

As the main thoroughfare linking southern Europe to central and eastern Europe, Italy represents a strategic gateway to 500 million consumers in the European Union (“EU”) and 270 million consumers in Northern Africa and the Middle East-

Italy’s transportation networks include 6,000 km of motorways, 1,350 km of high-speed rail and number of strategic ports for maritime freight and transshipment along the Italian coast and islands



Key manufacturing player

Italy is the second largest manufacturing economy in Europe with €496 billion in exports in 2020 (7.6% increase since 2016)

Roughly two-thirds of Italy’s exports by value were delivered to other countries in the EU, while 15.3% was exported to Asia and another 11.5% to North America



Skilled workforce

Italy has a highly skilled workforce, even though labour costs in Italy are below the Eurozone average (on an hourly basis, labour costs in Italy are about 25% lower than in France and 23% lower than in Germany)

31 Italian universities are ranked amongst the top 500 academic institutions in the Times Higher Education World University Ranking

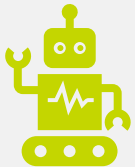
Factors Influencing Logistics Sector Growth

Macroeconomic drivers and trends



E-commerce

Changing consumer habits have led to a rise in online purchases, which underpins increased demand for warehouses alongside urban / last mile solutions as consumers expect shorter delivery times



Automation

The logistics sector is at the forefront of embracing efficiencies via automation, impacting the design and location of assets



Technology

Technological advancements will enable longer distance journeys to continue round the clock

Occupiers' choices of location will be highly dependent on whether power and energy are available and sufficient



Sustainability

Occupier preferences are pointing towards the creation of spaces that attract and retain talent, with improved integration of properties into communities as ESG considerations gain significance



COVID-19 resilience

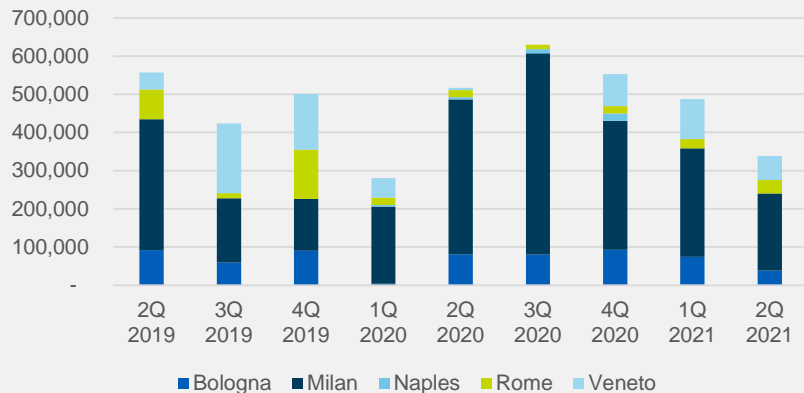
Movement and travel restrictions created a parallel increase in demand for logistics space

Post-lockdown measures, there will be continued demand from food retailers, online operators and vital medical supplies manufacturers, and some spaces will be permanently converted for such uses

Positive Outlook for Italian Logistics

Occupational demand is underpinned by robust fundamentals and record low vacancy rates

Logistics quarterly take-up by key city (sq-m)



Logistics vacancy rate (%)



- Logistics leasing activity during the first half of the year remained robust with the take-up volume reaching 1.2 million sqm. This was a 36% increase over the first half of 2020 and was largely influenced by a large transaction in the e-commerce sector in the southern regions
- The acceleration of online sales brought on by the pandemic, boosted e-commerce and favoured the overall logistics market. As a result, there is a constant growth in demand for warehouses between 5,000 sqm and 15,000 sqm and that are in proximity to the big cities, to allow better management of “last-mile” deliveries
- The most active occupiers have been the third-party logistics players, with demand from this sector expected to continue rising, as ongoing outsourcing to these operators provide efficiency gains and greater flexibility
- The limited availability of high-quality spaces which are able to satisfy the current demand has brought about an increase in development activity, with investors and developers focusing more on high quality speculative projects. Consequently, this has contributed to a general improvement of the logistics stock and an increase in prime rental values for Rome to €58 per sq-m in 2Q 2021
- Market outlook remains positive, with the combination of rising leasing activity in the second half of the year and low vacancy rate of 2.6% putting an upward pressure on prime rents

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 1 November 2021, published on SGXNET, relating to the Acquisition of a Freehold Logistics Asset in Mira, Greater Venice, Italy.

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