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(a real estate investment trust constituted on 28 April 2017 under the laws of the Republic of Singapore)

Managed by Cromwell EREIT Management Pte. Ltd.

## **CROMWELL EUROPEAN REIT CONTINUES PIVOT TO LOGISTICS WITH € 57.8 MILLION OF ACQUISITIONS IN THE UK AND THE NETHERLANDS**

*Capitalised terms used herein, unless otherwise defined, shall have the meaning ascribed to them as defined herein.*



Thorn, Durham, North East England,  
the United Kingdom



's-Heerenberg, De Immenhorst 7,  
's-Heerenberg, The Netherlands



Tilburg, Rosa Castellanosstraat 4,  
Tilburg, The Netherlands

- Blended 5.6% net operating income (“**NOI**”) yield<sup>1</sup> and a aggregate purchase price<sup>2</sup> of € 57.8 million (S\$ 88.4<sup>3</sup> million), 3.9% below the aggregate independent valuations undertaken
- 65,360 sqm total floor area across the three properties, all fully-let on long-term single leases (with blended WALE<sup>4</sup> of nearly 8 years) to three high-quality tenant-customers
- Properties situated in strategic locations in the well-established and highly-liquid logistics markets of the UK and the Netherlands
- Acquisitions funded through the recent successful S\$100 million inaugural perpetual securities issue, which in Euro terms provide competitive funding at 3.55% per annum, allowing CEREIT to further capitalise on the exceptional logistics sector fundamentals and advance its Western Europe pipeline of opportunities

## 1. Introduction

Cromwell EREIT Management Pte. Ltd., the manager (the “**Manager**”) of Cromwell European Real Estate Investment Trust (“**Cromwell European REIT**” or “**CEREIT**”) is pleased to announce that CEREIT has, through its indirect and wholly-owned subsidiaries, entered into three separate sale and purchase agreements for the acquisitions of three light industrial / logistics properties in Spennymore, Durham, North East England, the United Kingdom (the “**UK**”), in De Immenhorst 7, ‘s-Heerenberg, The Netherlands and in Rosa Castellanosstraat 4, Tilburg, The Netherlands (“**Thorn**”, “**s-Heerenberg**” and “**Tilburg**” respectively, collectively the “**Acquisitions**”), for an aggregate purchase price of €57.8 million (approximately S\$88.4 million).

The Manager’s Chief Executive Officer, Mr. Simon Garing, commented, “I am pleased to announce the acquisitions of three light industrial / logistics assets in the well-established and highly-liquid real estate markets of the UK and the Netherlands. Our experienced, on-the-ground team sourced and secured all assets at a favourable blended 5.6% NOI yield and 3.9% below independent valuations on average.

The acquisitions further build CEREIT’s light industrial / logistics scale in these markets accretively, bringing CEREIT’s portfolio to 41% light industrial / logistics weighting and advancing the Manager’s stated strategy of pivot to 50% weighing of this sector.

The acquisitions have been funded from part of the proceeds of the recent successful S\$100 million inaugural perpetual securities issue, which in Euro terms provide competitive funding at 3.55% per annum, allowing us to capitalise on the exceptional fundamentals of this sector while advancing the pipeline of opportunities we have identified for CEREIT in Western Europe”.

The three properties span a total of 65,360 sqm total floor area and are fully let on long-term single leases (with blended WALE of nearly 8 years) to high-quality tenant-customers: Thorn Lighting Limited (“**Thorn Lighting**”), a leading global supplier of integral lighting solutions, Kleertjes.com B.V. (“**Kleertjes.com**”), a fast-growing e-retailer and Agile B.V. (“**Agile**”), a well-established fashion conglomerate.

The UK acquisition’s attractiveness is enhanced by its strategic location in a well-established manufacturing hub in North East England, which benefits from the highly-educated labour force and robust growth rates<sup>5</sup> leveraging the strong fundamentals of the UK economy. The two Dutch acquisitions are CEREIT’s first in this market post-IPO, expanding its logistics portfolio in the Netherlands. This is a core market for Western Europe supply chains, given its strategic connectivity between its large ports and distribution network, which manifests in a record-low logistics vacancy rate of only c. 2.0%.

## 2. The Acquisitions

### 2.1 Thorn, Spennymore, Durham, North East England, the UK

Thorn is a freehold, light industrial / logistics property built in 2008 on a 135,820 square metres (“**sqm**”) site, with a low site coverage of 30%, presenting a good future redevelopment opportunity. The property consists of two buildings with a total lettable area of 41,611 sqm – one of which is the principal unit that comprises a purpose-built large light industrial facility with a two-storey office and amenity block, while the other is a self-contained warehouse / factory unit. The property has two yards with loading facilities that serve both units, a total of 10 loading doors and a large car park with 415 spaces.

The tenant-customer has put in place a programme to get all its production facilities ISO 14001-certified (the standard for environmentally-compatible production). While the property does not have a BREEAM<sup>6</sup> rating yet, findings from the sustainability due diligence carried out as part of the acquisition process indicate that the site can achieve a ‘Very Good’ BREEAM In-Use certification. The Manager intends to obtain the rating imminently. The property also has an energy performance certification rating of ‘B’, which is above current legislative threshold limits of ‘E’ and is likely to be compliant with future changes in legislation.

Located approximately eight kilometres (“**km**”) to the south of the city centre of Durham, the property is situated in a well-developed industrial area in North East England, with other mega logistics and fulfilment centres in close proximity. With a population of 2.7 million and low local unemployment rate, the city is home to five universities and has a well-established manufacturing industry focusing on automotive, rail, aerospace,

electronics, pharmaceuticals and subsea engineering. Experian Plc<sup>5</sup> forecasts the North East economy to grow by 13% between 2021 and 2026 with the gross value added increasing by £6.6 billion. The property's strategic location positions it well to benefit from the area's positive growth on the back of the strong UK economy fundamentals.

Thorn is well served by the A1, the main motorway linking the North and South of the UK. Two airports, Newcastle International Airport and Teesside International, are conveniently located within 50 km from the property. The Port of Tyne, the biggest commercial port terminal in the North East and Teesport, the UK's largest freeport, are both located within 45 km from the property.

Thorn is currently fully let on a long-term lease to Thorn Lighting, a subsidiary of Zumtobel Group AG and one of the leading global suppliers of integral lighting solutions listed on the Vienna Stock Exchange. Thorn Lighting's lease has a secured covenant and a guarantee from its parent company Zumtobel AG.

## **2.2 's-Heerenberg, De Immenhorst 7, 's-Heerenberg, The Netherlands**

's-Heerenberg is a freehold, logistics property in 's-Heerenberg, The Netherlands with a total floor area of 15,111 sqm and a site area of 21,913 sqm. 's-Heerenberg was originally built in 1993, extended in 1999 and benefits of a large-scale warehouse with ancillary office space, a free height up to 9 metres ("m"), eight loading docks, five overhead doors and ample manoeuvring and parking spaces. 'S-Heerenberg was substantially renovated in 2019 to include upgrades and additions such as new electricals, heating and cooling installations, a full office fit-out, as well as sustainability improvements as LED lighting. The property has an energy performance certification rating of 'B', with potential for further improvement.

Strategically located on the Dutch-German border in the Province of Gelderland, the city of 's-Heerenberg is a sought-after logistic hub with tri-modal distribution access encompassing road, rail and water. The property is situated next to the Dutch A12 motorway and approximately 15 kilometres away from large barge and rail terminals. The A12 is one of the key logistics routes from the Port of Rotterdam to its hinterland and joins with the A3 Highway in Germany to form part of the Rhine-Alpine Corridor of the Trans-European Transport Network (TEN-T), which connects major cities in the Netherlands, Belgium, Germany, Switzerland and Italy.

's-Heerenberg is fully-let on a long-term lease to Kleertjes.com, a leading e-retailer of children apparel, which was recently acquired by Wehkamp<sup>7</sup>, one of the most prominent e-commerce platforms in the Netherlands.

## **2.3 Tilburg, Rosa Castellanosstraat 4, Tilburg, The Netherlands**

Tilburg is a modern freehold, logistics property built in two phases in 2012 and 2019 with a total floor area of 8,638 sqm and a site area of 14,139 sqm. The property comprises a warehouse and a small ancillary office and benefits from core logistics specifications with regard to free height, floor load capacity, loading dock ratio and manoeuvring space. The property is awarded with an A++++ energy label, the highest efficiency band. Recently, c. 1,700 solar panels were installed on the roof to further improve the sustainability standards of the property.

The property is strategically located in the prime logistics region of Tilburg-Waalwijk in the Netherlands. This region is one of the most important European logistics hubs, ranked number 1 logistics location in the Netherlands by the leading logistics experts of logistiek.nl. The property is situated in the logistics park Katsbogten just south of Tilburg city centre and is ideally located at the entrance of the A58 highway, linking with the A27, A16, A2, A67 and A65 connecting Rotterdam / Antwerp, Amsterdam and Eindhoven economic zones. The property is just 25 km from three Trans-European Transport Network ("TEN-T") routes - Rhine-Alpine, North Sea Baltic, and North Sea Mediterranean - connecting major cities in the European Union. The location further benefits from its close proximity to superb logistics amenities such as barge and rail terminals providing direct access to the ports of Rotterdam and Antwerp and a direct rail connection eastward through Europe all the way to China.

Tilburg is fully-let on a long-term lease to Agile, a well-established shoe and fashion manufacturer and omnichannel retailer in the Netherlands with an online presence in six European countries, c. 150 stores in the Netherlands and Belgium and c.1500 employees.

### **3. Economic and market overviews**

#### **3.1 UK economic and market overview**

Recent data from Oxford Economics<sup>8</sup> suggests that UK economic activity picked up pace in the early part of 4Q 2021. The prospect of a period of greater consumer caution after the discovery of the Omicron Covid-19 variant has led Oxford Economics to cut forecast for UK GDP growth in 2022 to 4.9%. Growth in 2021 is still forecast at 6.9%.

In terms of occupier demand for light industrial / logistics space, online retail continues to drive take-up in the UK while the occupier base broadens. Distribution firms and retailers have accounted for 76% of take-up in units over 50,000 sq ft in the first half of 2021. The manufacturing sector has also been more active in 2021, accounting for 19% of space take-up (for units over 50,000 sq ft) in the first half of 2021. Manufacturing outputs and orders are rising on the back of easing COVID-19 restrictions, rising consumer confidence, and an uptick in trade has been reported, particularly with US and Asian clients<sup>9</sup>.

Average industrial rents in the UK have risen 4.6% in the year to July 2021<sup>10</sup>. Based on the strong growth recorded so far this year, rental growth projections have been revised up significantly for 2021 across all UK regions. The Eastern region is expected to see the strongest rental growth in 2021, with a 6.4% growth projected. Yorkshire and Humber is forecast to follow, with a 6.0% growth, followed by London with an expected 5.9% growth. Robust rental growths are projected for all regions over the next five years. London and the Eastern regions are expected to see the strongest average growths over the 2021 to 2025 period.

On the back of the structural shift towards online retail and favourable market dynamics, the light industrial / logistics sector continues to be the most defensive commercial property sector in the UK, with 2Q 2021 delivering exceptional transactional volumes of £3.50 billion (€4.1 / S\$6.4 billion), 78% above the five-year quarterly average. 1H 2021 was the strongest half-year on record at almost £7.0 billion (€8.2 / S\$12.7 billion) (up 298% year-on-year)<sup>5</sup>. Take-up also reached a record-high of 23.7 million sq ft (2.2 million sqm) in 3Q 2021, representing a 3% increase from the previous record quarter in 2Q 2021 and a 72% jump above the five-year quarterly average. Transactions were predominantly focused on new stock in 3Q 2021 – pre-lets accounted for 44% and new speculative buildings accounted for 27%. The overall rate of supply availability fell again to 4.6% in 3Q 2021, the lowest on record<sup>11</sup>. Annual total returns stood at 25% in July, an increase of 164 basis points from the annual total recorded in June this year. MSCI data shows that industrial total returns have exceeded all other sectors over the past one, three, and five-year horizons.

Local occupational market in North East England shows a total take-up of 261,590 sq ft (24,302 sqm) take up in 2Q, a 36% increase year-on-year<sup>5</sup>. Deals above 50,000 sq ft (4,645 sqm) in 2Q 2021 achieved prime rents at £6.50 (€7.6 / S\$11.8)<sup>Error! Bookmark not defined.</sup> per sq ft, with the five-year rental growth forecast at 3.2% per annum<sup>5</sup>. The vacancy rate in the region is 5.9%<sup>5</sup>.

#### **3.2 The Netherlands economic and market overview**

Oxford Economics<sup>12</sup> forecasts that the Netherlands' GDP growth will be adversely affected by the new Omicron COVID-19 variant in 1Q 2022 next year but should recover quickly thereafter. For now, GDP growth is projected at 3.5% in 2022, with 2021 projections unchanged at 4.5%.

According to CBRE Research, the logistics market in the Netherlands is one of the most active, mature and established markets in Europe. The country is the gateway to a large hinterland and has high-quality infrastructure. Goods bound for Germany, Belgium and other neighbouring countries typically arrive first at the Europe's largest port (Port of Rotterdam), before being transported further inland via truck, train or boat.

In this regard, many logistics hotspots can be found concentrated along the main transportation axes, with the number of logistics companies operating in the Netherlands multiplying in recent years. This has driven an increase in the take-up of logistics real estate to an average of 2.2 million sqm from 2016 to 2020. In the first three quarters of 2021, the Netherlands witnessed a take-up volume of 3.5 million sqm, a record number that made it the second largest market in terms of European logistics take-up, with 158 transactions.

The stock of logistics real estate in the country – defined as properties larger than 5,000 sqm, a minimum eight metres of ceiling height and a minimum of five loading docks – was 32.3 million sqm at the end of 2020.

Taking this into account, the current vacancy rate is 2.0%, which is a five-year historical low, given the average vacancy rate of 4.0% over the period from 2016 to 2020.

The total investment volume in the Dutch industrial and logistics sector has grown significantly over the past few years. Compared to an average of roughly €2,671 million from 2016 to 2020, the country has witnessed an investment volume of €2,910 million with 151 transactions at the end of the third quarter of 2021. This implies a year-on-year increase of 49.0% compared to the third quarter of 2020. A total transaction volume of €4.0 billion is expected in the sector in 2021, a historical record in terms of volume.

#### **4. Other Information**

The aggregate purchase cost of the Acquisitions is estimated to be approximately €62.4 million (S\$95.5 million), comprising the aggregate purchase consideration of €57.8 million (S\$88.4 million), the acquisition fees payable to the Manager and the professional and other fees and costs in connection with the Acquisitions.

The purchase price<sup>2</sup> of Thorn was £32.3 million (approximately €38.4 million or S\$58.7 million)<sup>3</sup> and the property was independently valued by Knight Frank at £33.6 million (approximately €39.5 million / S\$61.0 million) on 23 November 2021. The purchase price<sup>2</sup> of 's-Heerenberg was €8.4 million (approximately S\$12.9 million) and the property was independently valued by CBRE at €8.8 million (approximately S\$13.5 million) on 2 November 2021. The purchase price<sup>2</sup> of Tilburg was €11.3 million (approximately S\$17.3 million) and the property was independently valued by CBRE at €11.8 million (approximately S\$18.1 million) on 3 November 2021. All of the Acquisitions were progressively completed between 17 to 30 December 2021.

The valuations were commissioned by the Manager and Perpetual (Asia) Limited (in its capacity as trustee of CEREIT), using the investment capitalisation method.

The purchase consideration for the Acquisitions was arrived at on a willing buyer and seller basis in each case. The Acquisitions were funded via cash raised from the recent issuance of S\$100 million perpetual securities.

Based on the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual, the Acquisitions are “Non-Disclosable Transactions” within the meaning of Rule 1008 of the Listing Manual.

The Acquisitions are not expected to have any material effect on CEREIT’s net tangible assets.

By Order of the Board

Simon Garing

Executive Director and Chief Executive Officer

**Cromwell EREIT Management Pte. Ltd.**

(Company registration no. 201702701N)

(as manager of Cromwell European Real Estate Investment Trust)

5 January 2022

## ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European Real Estate Investment Trust (“**Cromwell European REIT**” or “**CEREIT**”) is a real estate investment trust (a “**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 primarily in the office and light industrial / logistics sectors. CEREIT’s purpose is to provide unitholders with stable and growing distributions and net asset value per unit over the long term, while maintaining an appropriate capital structure. CEREIT maintains a long-term target portfolio weighting of at least 75% or more within Western Europe and a tactical target weighting of 50% towards the light industrial / logistics sector.

CEREIT’s portfolio comprises 112 properties with an appraised value of approximately €2,425<sup>13</sup> million as at the date of this announcement in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland, Denmark, the Czech Republic, Slovakia and the United Kingdom. CEREIT’s portfolio has an aggregate lettable area of approximately 1.7 million sqm, 800+ tenant-customers and a WALE profile of approximately 4.7 years as at 30 September 2021.

CEREIT is listed on the Singapore Exchange Limited and is managed by Cromwell EREIT Management Pte. Ltd. (the “**CEREIT Manager**”), a wholly-owned subsidiary of CEREIT’s sponsor, Cromwell Property Group<sup>14</sup> a real estate investor and manager with operations in 15<sup>15</sup> countries, listed on the Australian Securities Exchange Ltd.

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The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, Perpetual (Asia) Limited, in its capacity as trustee of CEREIT, the Cromwell Property Group as the sponsor of CEREIT, or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the 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 the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement may contain forward-looking statements that involve assumptions, 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. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of CEREIT. The forecast financial performance of CEREIT is not guaranteed.

A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.

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1 NOI yield is calculated as the annualised Day 1 net operating income pre-asset management fees divided by the purchase price including purchase costs

2 Before purchase costs

3 Based on exchange rate of 1£:1€1.19 and 1€:\$1.53 as at 3 January 2022

4 Weighted Average Lease to Expiry

5 Source: Experian, an Anglo-Irish multinational consumer credit reporting company

6 Building Research Establishment Environment Assessment Method

7 Source: Statista, Leading online retailers based on revenue in the Netherlands from 2015 to 2019, 2020

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8 Source: Oxford Economics, Country Economic Forecast United Kingdom, 20 December 2021

9 Source: Knight Frank valuation report for the Acquisition

10 Source: MSCI

11 Gerard Eve, 3Q 2021

12 Source: Oxford Economics, Country Economic Forecast Netherlands, 17 December 2021

13 Valuation of existing portfolio is based on carrying values as of 30 September 2021; the four new acquisitions completed in 4Q 2021 (in Italy on 1 November 2021, in UK on 17 December 2021 and in the Netherlands on 23 and on 30 December 2021) are recorded at the purchase price

14 Cromwell Property Group is a stapled group comprising Cromwell Corporation Limited and Cromwell Diversified Property Trust (the responsible entity of which is Cromwell Property Securities Limited)

15 Cromwell Property Group Annual Report 2021