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CROMWELL
EUROPEAN REIT

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Cromwell European REIT posts strong 1Q 2023 operational performance

- Overall portfolio occupancy up 100 bps to 95.8% compared to pcp, with +6.7% rent reversion and 76.4% tenant retention rate
- NPI up 3.6% versus pcp, largely driven by 15.7% NPI growth in the light industrial / logistics sector
- 40.6% aggregate leverage, 5.0x interest coverage ratio, 84% hedged / fixed debt with no material refinancing until November 2024

	1Q 2023	1Q 2022	Variance
Gross revenue (€'000)	54,774	52,569	4.2%
Net property income (€'000)	33,645	32,487	3.6%
Indicative distributable income (€'000)	21,942	23,298	(5.8%)
Indicative DPU (€ cents)	3.90	4.14	(5.8%)
Indicative DPU (including divestment gains) (€ cents)	4.12[3]	4.22[5]	(2.4%)

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the "**Manager**") of Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**"), today announced CEREIT's business update for the first quarter ended 31 March 2023 ("**1Q 2023**").

Net Property Income ("**NPI**") grew 3.6% to €33.6 million in 1Q 2023, compared to the prior corresponding period ("**pcp**"), mostly due to 15.7% NPI growth in the light industrial / logistics sector. 1Q 2023 like-for-like NPI was up 4.2% versus pcp, with the light industrial / logistics sector 9.5% higher and office also 1.8% higher. CEREIT's strong operational performance was mainly driven by active leasing and high occupancy, positive rent reversions and high annual inflation indexation in most leases. The results include the expected loss of income due to the office redevelopments of Nervesa 21 in Milan and Maxima in Rome. Strip out works have commenced in 1Q 2023 for Maxima, while Nervesa 21 is not planned to receive the new higher rents until post the project completion in 1Q 2024.

1Q 2023 indicative DPU was 4.12 Euro cents, 2.4% lower versus pcp and 0.3% higher compared to 4Q 2022, including a DPU top up from divestment gains in lieu of rent for the two properties vacated for redevelopment. Otherwise, indicative DPU was 5.8% lower versus pcp, largely due to materially higher finance costs offsetting the NPI growth. Nevertheless, CEREIT's DPU has remained resilient on a like-for-like basis in the face of a series of prolonged external macro and geopolitical challenges over the last three years.

Portfolio and asset management highlights

CEREIT maintained a high portfolio occupancy level of 95.8% as at 31 March 2023, up 100 bps compared to pcp and largely unchanged compared to the fourth quarter of 2022 ("**4Q 2022**"). Weighted average lease expiry ("**WALE**") stood at 4.5 years in 1Q 2023, compared to 4.6 years in 4Q 2022, while the weighted average lease to break ("**WALB**") remained at 3.2 years. CEREIT's four core markets – the Netherlands, Italy, France and Germany continue to drive organic rental income growth. Collectively, they make up approximately 75% of the portfolio by value and their combined occupancy remained well above 95%.

In 1Q 2023, the Manager signed and renewed 86,474 square metres ("**sqm**") or approximately 4.6% of the portfolio'[1] at an average +6.7% rent reversion, with 76.4% tenant retention rate. More than one-third (35%) of lease breaks and expiries in the next six months up to 30 September 2023 have now been de-risked, as compared to 24% at the same stage last year, indicating good leasing momentum.

CEREIT's light industrial / logistics portfolio remained effectively at full occupancy at 98.0% as at 31 March 2023. 43,881 sqm of light industrial / logistics leases were signed and renewed at a +4.6% rent reversion with 58% tenant retention rate, with some new leases in key markets France and the Netherlands signed at double-digit positive rent reversions. Notably, a nine-year lease at Parc Delizy in Paris was signed at +13.5% rent reversion and five new leases and renewals of various durations at Veemarkt in Amsterdam were signed at +12.5% to +14.5% rent reversions. The new record low 2.3%[2] average vacancy across CEREIT's key logistics markets helped sustain market rent growth.

CEREIT's office portfolio occupancy stood at 89.1% as at 31 March 2023, largely unchanged from 31 December 2022. 39,233 sqm of office leases or approximately four times the space as compared to the pcp were signed and renewed at a strong +8.1% rent reversion with 83% tenant retention rate. Leasing activities, particularly for Grade A office space in the Netherlands, picked up in 1Q 2023. Notably, the Manager signed a 10-year lease at a +21% rent reversion a new tenant-customer (a major energy company) at Haagse Poort in The Hague, while two 2-year leases at Bastion in Den Bosch were renewed at +9.3% to +9.1% rent reversions. Advanced positive discussions are already underway for the key Dutch office leases expiring in 2025 which will further enhance the value of these assets. The continuing improved European office occupancy reflected strong leasing demand for quality office space. Grade A vacancy in CEREIT's key office markets in 1Q 2023 was 3.6%, as compared to an average of 8.5% vacancy for all grades across all of CEREIT's office markets[3]. CEREIT's Finnish and Polish office portfolios, which account for c.13% of the total portfolio, however, remain a drag on both valuations and NPI growth, with these smaller markets reflecting an average 13.2% vacancy.

In response to office tenants' and investors' preferences for green and sustainable workspaces, the Manager has made substantial progress in its green building certifications. As of May 2023, CEREIT has achieved 32 BREEAM[4] or LEED[5] green building certifications, of which 25 or 77% by value are for the office portfolio, up from zero five years ago. This provides a market competitive contrast to only 20% of the European office space with green building certifications[6], as estimated by CBRE[7]. The Manager has also progressively introduced green leases to assist in the journey to net zero operating carbon emissions by 2040. These now represent

24% of CEREIT's total leases in 1Q 2023, up from only 10% in the pcp, Renewable and low carbon emission energy now accounts for 43% of total energy consumed. More details of CEREIT's ESG performance are available online in its Sustainability Report 2022.

Responsible capital management

Aggregate leverage was 40.6% as at 31 March 2023, marginally above the board policy range of 35-40%, largely due to a temporary timing difference between development expenditure and divestments. The Manager is in advanced negotiations for the sale of selected non-strategic assets and will make the necessary announcements in due course.

In March 2023, the Manager extended and upsized an existing loan facility into a €70.6 million, 3.5-year sustainability-linked loan with existing lenders. Following the drawdown and extended duration of this facility, CEREIT has no near-term refinancing requirements until November 2024. As at 31 March 2023, CEREIT's weighted average debt expiry stood at 2.7 years.

The interest coverage ratio remained high at 5.0 times for the quarter, well in excess of the loan and euro medium-term note covenants. The Manager recently entered into a 3-year €100 million notional interest rate cap at 3% and collar at 2.25%, bringing CEREIT's debt to approximately 84% hedged / fixed until end of 2024 and 64% until end of 2025. Due to the ECB[8]'s sharp rise in rates and the higher margins on the new loans, CEREIT's all-in interest rate (per annum) climbed from 1.72% in pcp to 2.38% as at 31 December 2022 and reached 2.70% as at 31 March 2023. Based on the Manager's interest rate sensitivity assessment, and taking into account the new hedging, in the event of a 3-month Euribor increase of c.100 basis points ("**bps**") to 4.00%, impact on CEREIT's full-year DPU would be 0.29 Euro cents per unit ("**cpu**") or 1.8% (all things else being equal).

The Manager remains committed to maintaining CEREIT's aggregate leverage within the board policy range over the medium term, and CEREIT's investment-grade credit rating of at least 'BBB-' with "Stable Outlook". While the next loan and RCF facilities aren't due to mature until November 2024, in line with its responsible capital management approach, the Manager has also commenced discussions to extend both facilities for up to another four to five years.

Outlook

The Manager's Chief Executive Officer, Mr. Simon Garing, concluded, "We are pleased to see the continued strong leasing demand and resilience across CEREIT's portfolio, with high occupancy of 95.8%, positive 6.7% rent reversion and like-for-like NPI growth of 4.2% for 1Q 2023. This strong operational performance has helped offset most of the expected rise in finance costs and deliver only a 2.4% drop in indicative DPU for the first quarter 2023, equating to over a 10% annualised yield at today's unit price[9]. CEREIT is also on track to achieve a majority portfolio weighting to the sturdy European light industrial / logistics sector by the end of 2023, through a combination of selective office and other non-core divestments and undertaking new developments, both of which are well-advanced.

"The rise in financing costs and the slowing economy have led to heightened uncertainty with valuations under pressure, so we have taken proactive steps to mitigate the risks through asset sales. These should help reduce leverage over the medium term and help fund accretive developments. While acquisitions are on hold for now given CEREIT's high cost of capital, our pipeline of sustainable developments and asset enhancements will serve to enhance, rejuvenate and future-proof CEREIT's portfolio and provide long-term growth.

"Although rising interest rates and asset divestments may have a short-term impact on earnings, we remain confident in CEREIT's operational performance and European real estate logistics and Grade A office market fundamentals."

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ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**") has a principal mandate to invest, directly or indirectly, in income-producing commercial real estate assets across Europe with a minimum portfolio weighting of at least 75% to Western Europe and at least 75% to the light industrial / logistics and office 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 currently targets a majority investment weighting to the light industrial / logistics sector while also investing in core office assets in gateway cities.

CEREIT's €2.5 billion[10] portfolio comprises 110+ predominantly freehold properties in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland, Denmark, Slovakia, the Czech Republic and the United Kingdom with an aggregate lettable area of approximately two million sqm and 800+ tenant-customers.

CEREIT is listed on the Singapore Exchange Limited and is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT's sponsor, Cromwell Property Group[11], a real estate investor and global real estate fund manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

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1 By net lettable area
2 Source: CBRE, 1Q 2023
3 Average quarterly office vacancy rate covers key cities in the five CEREIT's countries with exposure to office
4 Building Research Establishment Environment Assessment Method
5 Leadership in Energy and Environmental Design
6 BREEAM, LEED or equivalent
7 CBRE, "Is sustainability certification in real estate worth it", November 2022
8 European Central Bank
9 Based on annualised 1Q 2023 indicative DPU, as at 12 May 2023, €1.54 (CWBU), S$2.25 (CWCU)
10 Valuation is based on independent valuations conducted by Savills Advisory Services Ltd and CBRE Ltd as at 31 December 2022 for 112 assets, and one Danish asset (Sognevej 25) acquired in 4Q 2022 held at its purchase price
11 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)