



**CROMWELL**  
EUROPEAN REIT



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# Proposed Acquisition

## 156,888 sq m freehold intermodal logistics park in Italy

25 November 2020



# Proposed Acquisition – Logistics Park in Italy

156,888 sq m intermodal logistics park with nine warehouses and a freight railway terminal

Property Type	Logistics
Purchase Price	€52.6 million
Land Lease Tenure	Freehold
Leasable Area (sq m)	156,888
Purchase Price (per sq m)	€335.1
Occupancy (as at 23 Nov 2020)	>99% <sup>1</sup>
WALE (as at 23 Nov 2020)	3.7 years
No. of Tenant-customers	24
Key Tenant-customers	Tod's – 20% Eurospin – 16% Spinservice– 11% White Solution – 9%
NOI Yield <sup>2</sup> (NOI / Purchase Price)	7.4%
Estimated Completion Date	21 Dec 2020

## Highlights

- **Well-located:** Located on the A14 / E55 motorway which connects Bologna to Bari along the Adriatic coast (also the main highway connecting Greece to Denmark and is thus an important trade corridor in Europe); Well-connected to Rome
- **Secure, long-dated, growing income:** Opportunity for stable and recurring cashflows, given a >99% occupancy rate<sup>1</sup>, a diverse tenant-customer base and a history of high tenant-customer retention
- **Attractively priced:** The purchase price of €52.6 million is a 3.5% discount to valuation and a 33% discount to replacement cost<sup>3</sup>



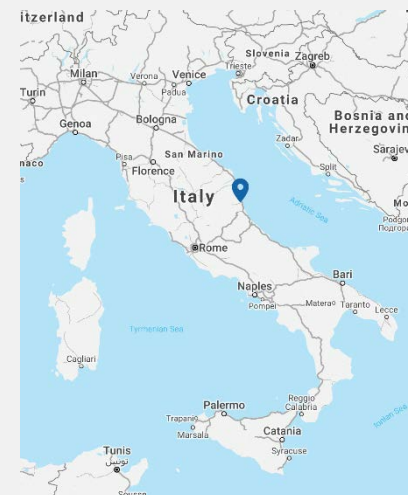
>99%  
Occupancy Rate



€335.1  
Price per sq m



€52.6  
million





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# Strategic Location in the Marche Region

## Macro Location



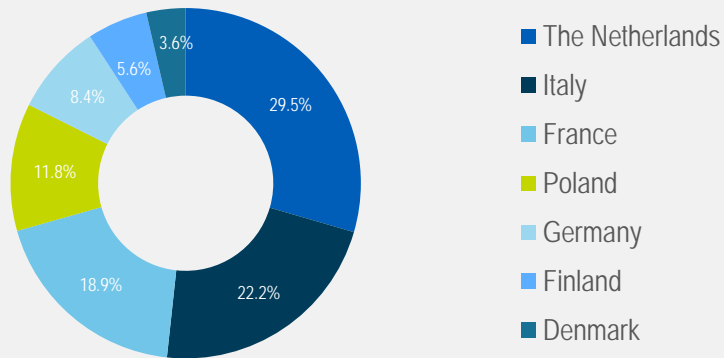
## Well-established location

- Situated on the border between Marche and Abruzzo regions on the Adriatic coast with access to four different regions: Marche, Abruzzo, Lazio (~ 2-hour drive to Rome) and Umbria
- Located on the A14 / E55 motorway which connects Bologna to Bari along the Adriatic coast (as the main highway connecting Greece to Denmark, the A14 / E55 motorway is also an important trade corridor in Europe)
- Well-connected to Rome while offering the advantage of lower rents compared to the well-established Rome market
- The railway freight terminal located within the asset is directly linked to national railway systems
- The Marche region is famous for its shipbuilding industry as well as leather goods manufacturers; large Italian companies based in Marche include Tod's, Indesit, Gruppo Angelini, Nautical Guzzini Teuco, and Poltrona Frau
- Marche's gross domestic product ("GDP") was €43.3 billion in 2018, accounting for 2.5% of Italy's economic output

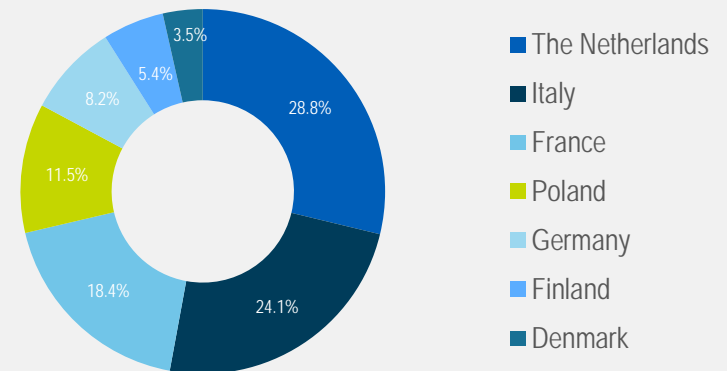
# Portfolio Composition – Before and After

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

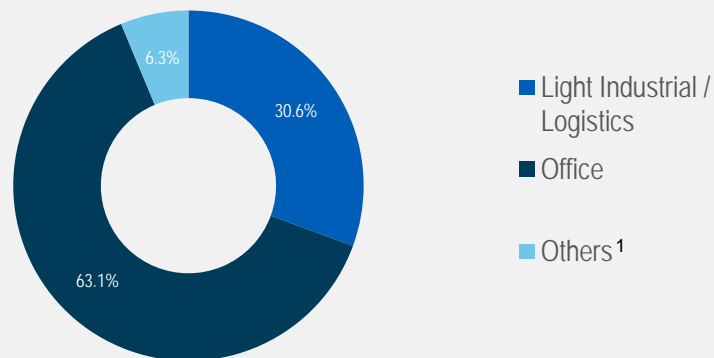
## Portfolio Composition by Geography (Existing)



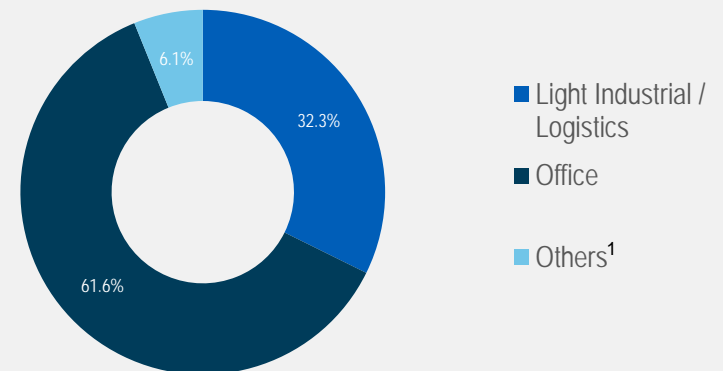
## Portfolio Composition by Geography (incl. Acquisition)



## Portfolio Composition by Sector (Existing)



## Portfolio Composition by Sector (incl. Acquisition)



# Tenant-customers Highlights

## Established Anchor Tenant-customers

- **Tod's:** Italian luxury fashion company (reported global revenues of €900 million (2019))
- **Eurospin (together with Spinservice):** leading Italian discount supermarket chain with nationwide presence
- **White Solution (Tigota):** leading beauty and cosmetics store in Italy with a nationwide presence

## Resilient and Committed Tenant-customers

- Tod's and Eurospin have been main tenant-customers since 2006 and 2009 respectively
- Tod's signed a new lease agreement for a further 3,000 sq m in October 2020, further demonstrating its commitment

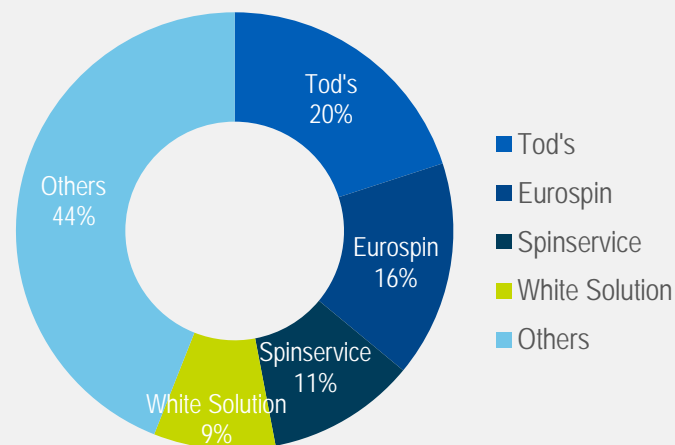
## Beneficiaries of Booming E-commerce Sector

- Key tenant-customers Eurospin and Spinservice are part of a major Italian supermarket chain; the rapidly growing penetration of e-commerce is expected to generate greater demand for space within the asset, as e-commerce firms seek to establish / implement their distribution networks for the population-dense Marche and Abruzzo regions

## Dependent on Cold Storage Facilities

- 18,000 sqm of space in the asset is used for cold-storage. Four tenant-customers, including Eurospin, are dependent on cold storage facilities; three out of four of these tenant-customers are using cold storage space that is maintained and refrigerated by the existing owner. Cold storage space commands significantly higher rates per sq m as compared to general warehouse space

## Tenant-customer Breakdown



# Rationale for and Key Benefits 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
- Managed growth via accretive acquisitions of high-quality assets in strategic, "on-theme" cities and markets
- Focus on logistics assets in Germany and neighbouring countries

2

**Increase CEREIT's exposure to logistics**

- Adds c.10% to CEREIT's overall portfolio net lettable area, increasing the weighting of the light industrial / logistics segment in CEREIT's portfolio to 32.3%, up from 30.6% (based on portfolio value)

3

**Diverse and committed tenant-customer base**

- Diverse tenant-customer base of 24 different occupiers and a history of high tenant-customer retention (the two biggest tenant-customers, Tod's and Eurospin, have been in occupation since 2006 and 2009 respectively)
- Top tenant-customers include: Tod's (20%), Eurospin (16%), Spinservice (11%), White Solution (9%)

4

**Stable and recurring cashflows with an opportunity for growth**

- The intermodal logistics park is forecast to provide a high and stable income, given a >99% occupancy rate
- There is scope for further rental growth and an opportunity to 'institutionalise' the park, principally by replacing the shorter-term leases favoured by the seller with longer-term ones

5

**Good fit to the portfolio and at an attractive price**

- Opportunity to acquire a portfolio that compares favourably to CEREIT's risk rating
- Purchase price of €52.6 million (€335.1 per sq m) is a €1.9 million / 3.5% discount to valuation and a 33% discount to replacement cost

6

**Leveraging the Sponsor's integrated European platform**

- Leveraging the sponsor's integrated European asset management platform and its pipeline sourcing and execution capabilities, as well as in-depth knowledge of key markets
- The sponsor's extensive pan-European platform is a distinct advantage for CEREIT; such a wide market coverage is relatively unique in Europe



# Italy

## Light industrial / logistics market outlook

### Occupational Market

- Occupier demand for logistics space across Italy remained strong with 3Q take-up volume totalling 720,000 sq m – the highest quarterly volume on record. This brings the total take-up level since the beginning of the year to just under 1.6 million sq m.
- The global pandemic continues to support the growth of online sales and consequently, the need for space by e-commerce operators, who have more than doubled the amount of space they occupy in the market during the year as compared to 2019.
- Pharmaceutical and food companies were active for temporary space as they look to shore up their supply chains as the second wave of COVID-19 imposes further restrictions on the population, all the while assessing what their future footprint will look like.
- Small- to medium-sized properties saw the highest level of take-up in 3Q but encouragingly, the number of deals involving logistics space over 50,000 sq m increased during 3Q. The demand for build-to-suit space remains high, led by international third-party logistic firms aiming to consolidate their presence in the Italian market with new high-quality hubs.
- The high level of leasing activity this year has led to a reduction in the vacancy rate, which fell to 2.6% in 3Q, down from 2.8% in 2019. The very low levels of supply are supporting positive rental growth albeit at differing rates. Existing properties are trailing build-to suit ones due to greater customisation and higher land values, especially for the development of urban properties. The rent for prime space in Milan and Rome grew to €57 per sq m per year in 3Q, from €56 per sq m per year in June.

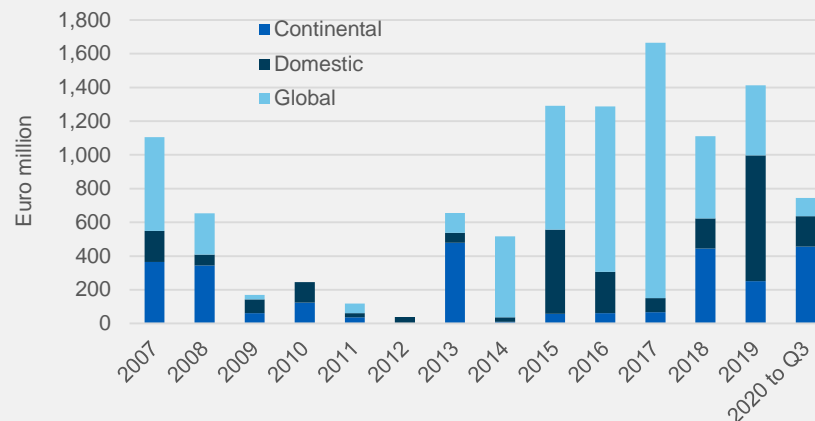
### Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	0.3%	-9.8%	↗
Industrial Production	-1.1%	-12.3%	↗
Consumer Prices, average	0.6%	-0.1%	↗
Population (millions)	60.3	60.2	↘
Population Growth Rate	-0.2%	-0.2%	↘
Unemployment Rate	9.9%	9.3%	↗

Annual % change unless specified

- 3Q saw a strong rebound post lockdowns as the economy recovered from the historic 13% quarter-on-quarter collapse in 2Q GDP.
- 4Q is expected to be slower as indicated by a softening in some high-frequency indicators with cases of COVID-19 rise again.
- GDP is forecast to contract by 9.8% in 2020 and grow by 6.0% in 2021.
- The labour market is performing better than expected and in Aug, the level of employment increased for a second month in a row.
- Italy will be a beneficiary of the EU's Recovery Fund from 2021.

### Industrial Volumes by Capital Source



### Investment Market

- Investment activity picked up markedly in 3Q following the forced-lockdown-caused slowdown in 2Q. In the first three quarters of the year, €744 million has been invested into Italian logistics assets, the majority of which traded in 3Q.
- The strong fundamentals exhibited by logistics continue to attract investors, broadening the range of international players operating in Italy. European investors, in particular from Germany, continue to be the most active, purchasing €457 million over the year to 3Q which reflects a 61% share of all deals concluded so far in 2020.
- The logistics market is expanding as more and more generalist investors are considering urban logistics from a core perspective, alongside the specialists who have so far approached the sector from a core plus perspective.
- Capital is diverted away from retail to logistics, which is creating demand in a sector that cannot, for the time being at least, be satisfied. The amount of capital wanting to deploy is limited by the available product supply and this in turn has seen prime yields compress by 10 basis points in both Milan and Rome to historic lows of 5.1% and 5.2% respectively.
- The confidence in the long-term fundamentals of the sector continues to boost development activity, and particularly speculative developments, which account for 25% of the space currently under construction.

# 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 25 November 2020 published on SGXNET relating to the acquisition of a nine-warehouse intermodal logistics park in Italy.

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