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REIT: Cromwell European Real Estate Investment Trust
(**Manager:** Cromwell EREIT Management Pte. Ltd.)

Stock code: CWBU

Meeting details:

Date: 26 April 2023

Time: 3.00 p.m.

Venue: Room 801, Level 8, 1 Marina Boulevard, Singapore 018989

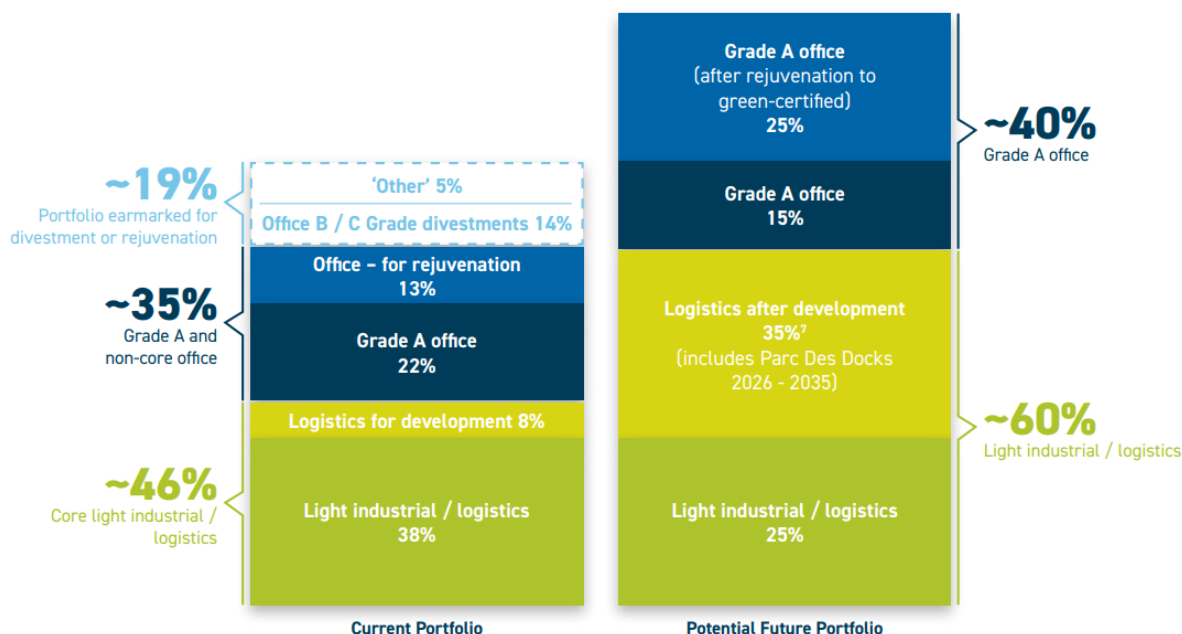
Q1. In the chairman's letter to unitholders, he mentioned that the manager has evolved its investment strategy and will put on hold all new acquisitions until greater visibility on asset prices transpires given the current challenges in the macroeconomic environment.

The manager has instead turned its attention towards unlocking value from the REIT's existing portfolio comprising well-located, older assets and freehold land. The CEO further added that with the current high cost of equity and the discount at which the REIT trades at, the manager has put acquisitions on hold for now.

(i) **Can the manager clarify if the hold on acquisition is a new decision and if so, has it been properly communicated to unitholders and the capital market?**

Q2. Further, in the interview with the CEO, it was mentioned that the REIT has identified and commenced divestments of around €400 million to be staggered over the next two to three years. In addition, the proceeds will free up capital in part to match the funding of the €250+ million redevelopment pipeline. The additional sales target serves as a "buffer" to maintain gearing within the Board policy for loan-to-value (LTV) range of 35% to 40%.

Based on the manager's current plans, the potential future portfolio will have 60% in light industrial/logistics and 40% in Grade A commercial office.



(Source: annual report)

The manager mentioned that the take-up of European office spaces is gradually returning to pre-pandemic levels, but it has observed a bifurcation in demand between well-located, green Grade A assets and Grade B / C assets in less favourable locations.

- (i) **Can the manager clarify the criteria used for selecting assets for divestment? Will the REIT be divesting all non-Grade A office assets?**
- (ii) **Does management have an estimate of the physical attendance of the offices in the portfolio?**
- (iii) **Considering the current challenging environment, what is the strategy for finding buyers for these assets? Is the manager prepared to sell in a buyer's market and potentially take a haircut on the carrying value?**

Q3. The REIT has embarked on several rejuvenation projects. In the office segment, construction is underway for a €32 million redevelopment project in Milan (Var Nerves 21) that will provide LEED Platinum and WELL Gold certified Grade A office space. Elsewhere in Rome, the REIT is redeveloping Maxima at a cost of €45 million into a Grade A platinum office.

Details of the rejuvenation projects can be found on pages 47 to 49 of the annual report.

- (i) **In the board approval for these rejuvenation projects, what are the ranges of return on investment (ROIs)?**
- (ii) **In addition, can the manager clarify the impact on cash flow when the REIT carries out such rejuvenation projects? How will the trust be funding the asset enhancement initiatives?**

For Via Nervesa 21, the REIT has secured a pre-leasing commitment from a major global media company for 44% of the lettable area, a year ahead of completion, coupled with strong leasing enquiries for the remaining space.

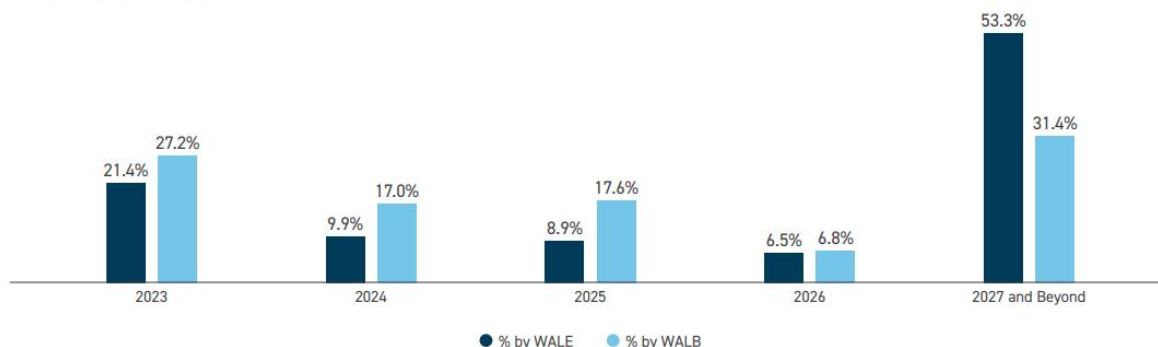
- (iii) **What is the leasing strategy for these rejuvenation projects?**
- (iv) **What kind of premium can be obtained for green-certified spaces?**

Light industrial / logistics sector

The light industrial / logistics portfolio achieved a record occupancy of 98.1% as at 31 December 2022 (up from 95.7% in FY 2021), achieving positive average rent reversion of 6.1%. WALE slightly decreased to 4.8 years

(down from 5.0 years in FY 2021), while WALB remained stable at 3.6 years, in line with FY 2021. The tenant-customer retention rate was 73.4%, up significantly y-o-y (59.6% in FY 2021). 57% of breaks and expiries until 30 June 2023 have been de-risked as at 31 December 2022.

LEASE EXPIRY PROFILE



(Source: annual report)

In the light industrial/logistics sector, as much as 27.2% of the leases will expire in 2023. The weighted average lease expiry was 4.8 years (down from 5.0 years in FY2021).

- (v) **Does the manager see demand in the light industrial/logistics sector normalising in 2023 after several years of COVID-related surge in demand?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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