Crisis, Challenges or Catalysts
Global Real Estate Markets

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CROMWELL
EUROPEAN REIT

Contents

Cromwell Property Group – Invest to Manage

Cromwell Property Group ('Cromwell') is a Real Estate Investor and Manager Operating on Three Continents with a Global Investor Base

A$11.5 billion AUM[1]

€$7.3 billion AUM[1]

A$2.2 billion
Market capitalisation[2]

A$204.1 million
Profit for the financial year[3]

3.8 million
sqm

280+
properties

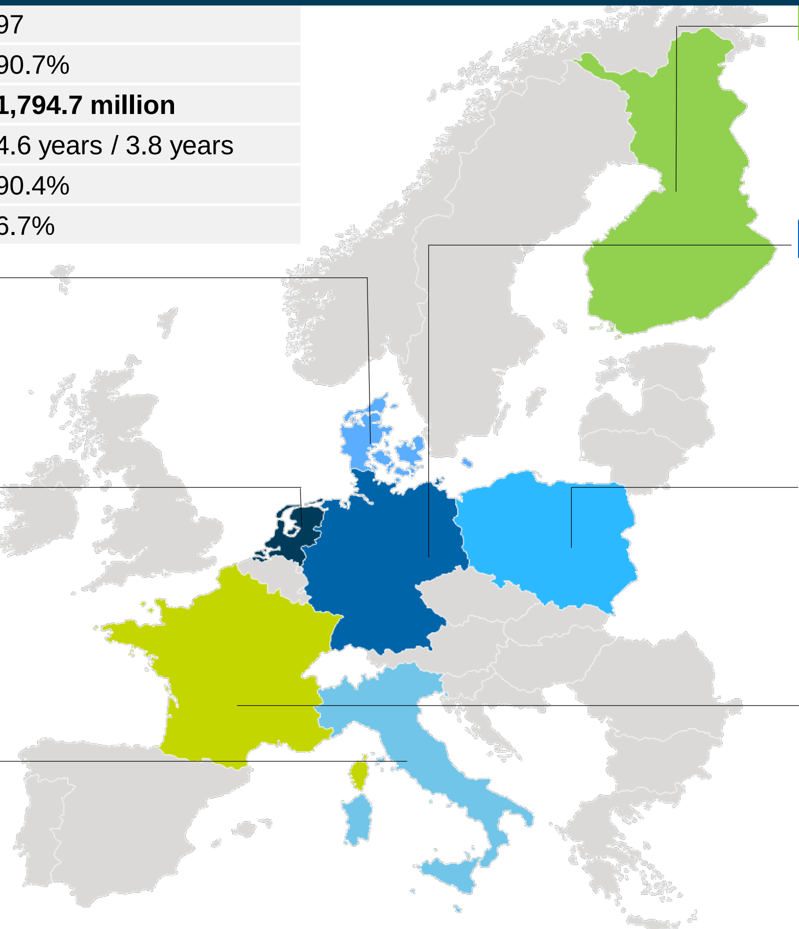
3,700+
tenants

390+
people

CEREIT – A Case Study in Cross Border Capital

Portfolio diversified across 97 assets and 7 different European countries

Properties	97
Occupancy Rate (by lettable area)[1]	90.7%
Valuation (€)[2]	**1,794.7 million**
WALE[3] / WALB[3]	4.6 years / 3.8 years
% Freehold[4]	90.4%
Average Reversionary Yield[2,5]	6.7%



Denmark	
Properties	13
Lettable Area (sqm)	151,490
Valuation (€ million)	81.3
% of Portfolio	4.5%
Average Reversionary Yield	7.9%

The Netherlands	
Properties	17
Lettable Area (sqm)	260,205
Valuation (€ million)	607.9
% of Portfolio	33.9%
Average Reversionary Yield	5.8%

Italy	
Properties	17
Lettable Area (sqm)	335,977
Valuation (€ million)	457.1
% of Portfolio	25.5%
Average Reversionary Yield	6.1%

Finland	
Properties	11
Lettable Area (sqm)	61,971
Valuation (€ million)	113.1
% of Portfolio	6.3%
Average Reversionary Yield	7.4%

Germany	
Properties	11
Lettable Area (sqm)	166,458
Valuation (€ million)	113.6
% of Portfolio	6.3%
Average Reversionary Yield	7.0%

Poland	
Properties	3
Lettable Area (sqm)	34,496
Valuation (€ million)	71.8
% of Portfolio	4.0%
Average Reversionary Yield	8.8%

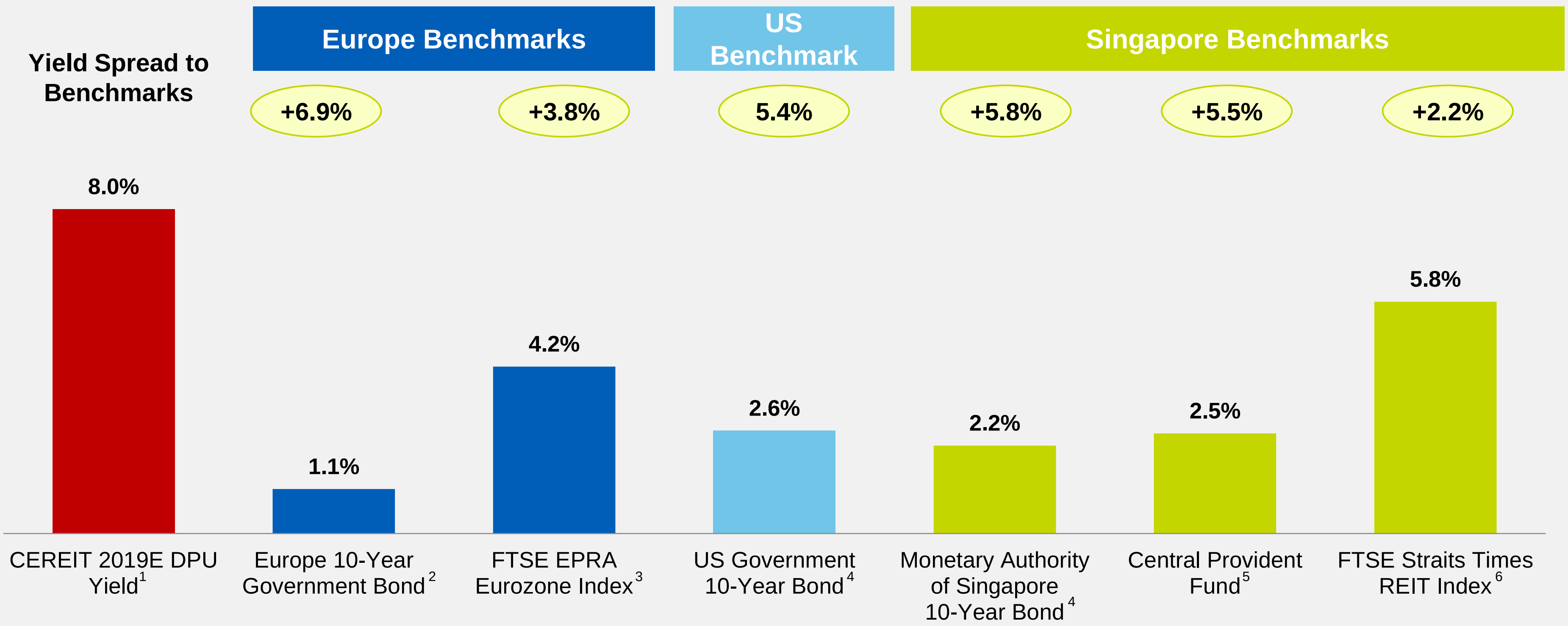
France	
Properties	25
Lettable Area (sqm)	370,324
Valuation (€ million)	349.8
% of Portfolio	19.5%
Average Reversionary Yield	8.2%

1. As at 14 February 2019
2. Valuation as at 31 December 2018 for the IPO Portfolio and the property in Ivrea, Italy. For the 22 newly acquired properties, valuation dates are as follows: 27 September 2018 for new properties in the Netherlands and Finland; 30 September 2018 for the new properties in Italy; 27 September 2018 for new properties in Poland; and 19 October 2018 for new properties in France
3. WALE and WALB as at 31 December 2018 for existing portfolio including new properties in Poland and France; WALE s defined as weighted average lease expiry by headline rent based on the final termination date of the agreement (assuming the tenant does not terminate the lease on any of the permissible break date(s), if applicable), WALB is defined as the weighted average lease break by headline rent based on the earlier of the next permissible break date at the tenant's election or the expiry of the lease
4. % freehold and continuing / perpetual leasehold by value
5. A proxy to present cap rate. Reversionary Yield is the net market rental value per annum (net of non-recoverable running costs and ground rent) expressed as a percentage of the net capital value. The reversionary yield for the portfolio and sub portfolios is the average Reversionary Yield weighted by the valuation.

CROMWELL EUROPEAN REIT

Cromwell European REIT – Distribution Yield

CEREIT 2019E DPU Yield of 8.0%[1] compares favourably to other global yield investment products



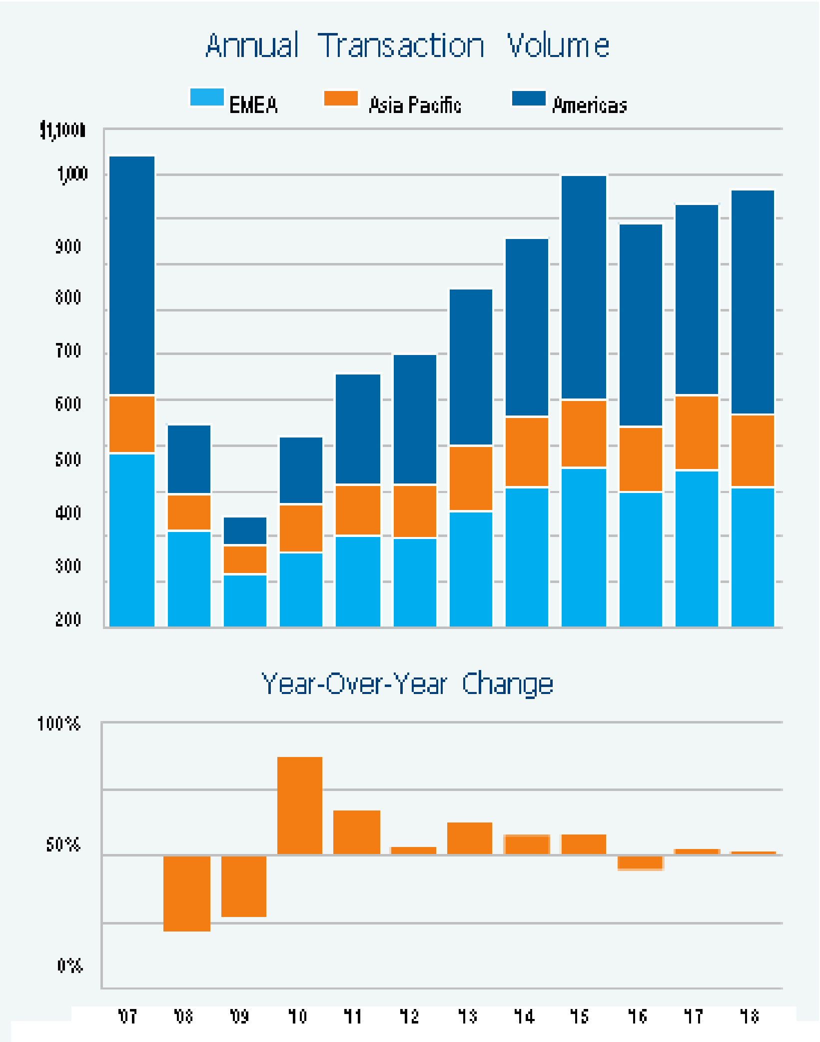
Sources: Bloomberg, European Commission, data from February to April 2019

1. Based on €0.50, the last traded price on SGX-ST on 18 February 2019 and DPU of 4.02 Euro cents per unit ("cpu") (FY19 IPO Forecast of 4.40 cpu adjusted for the rights issue)
2. Based on the monthly averages (non-seasonally adjusted data) of the yields of the 10-year government bonds of the countries in the Eurozone
3. Based on Bloomberg's estimated DPU yield for the year ended 31 December 2019 for FTSE EPRA Eurozone Index
4. Based on the legislated minimum interest of 2.5% per annum earned in Central Provident Fund ("CPF") Ordinary Account
5. Based on Bloomberg's estimated DPU yield for the year ended 31 December 2019 for FTSE Straits Times Real Estate Investment Trust Index

Global Capital Market Trends - Who is Buying?

Global Capital Market Trends – 2018 another Big year

- A resurgence in U.S. real estate sales helped power activity in the Americas 16% above 2017 levels. A sharper increase in the Americas in the fourth quarter signalled investment momentum heading into 2019.
- Acquisitions of income-producing assets increased by 3% to $963.7 billion, the third highest annual total on record behind 2007 and 2015.
- Overall commercial real estate volume including land sales grew by 4%.

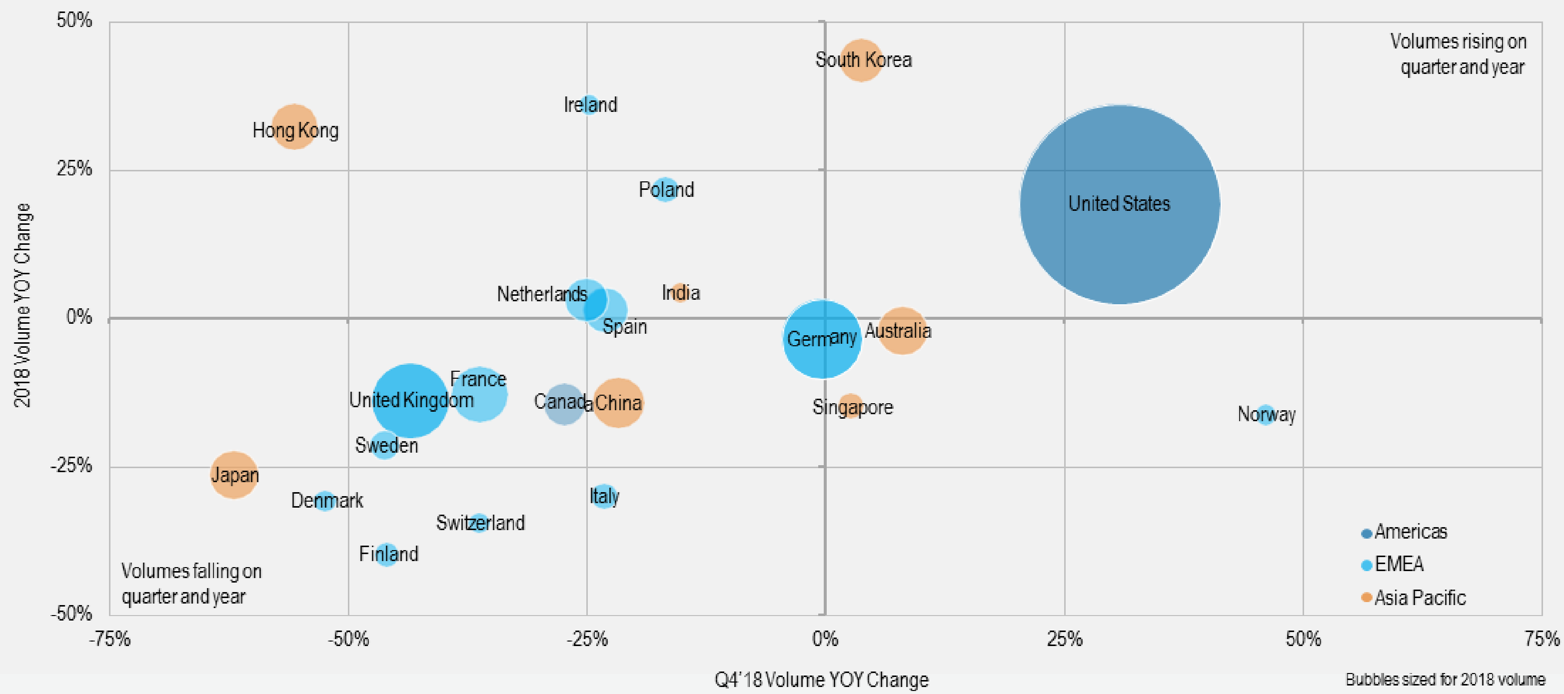


Source: 2019 Real Capital Analytics, Inc. Global Capital Trends report

Australia is still a preferred and liquid destination

- Australia is a top 10 market by transaction volume, demonstrating good momentum in 2018
- US is still the largest and most liquid market, with good momentum
- Transaction volumes falling away in other key countries, with Japan a laggard

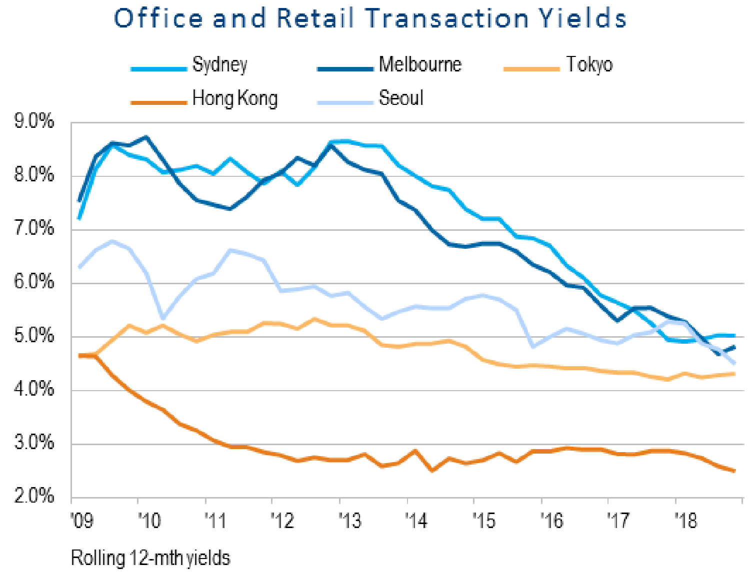
Investment Momentum of Top Global Markets

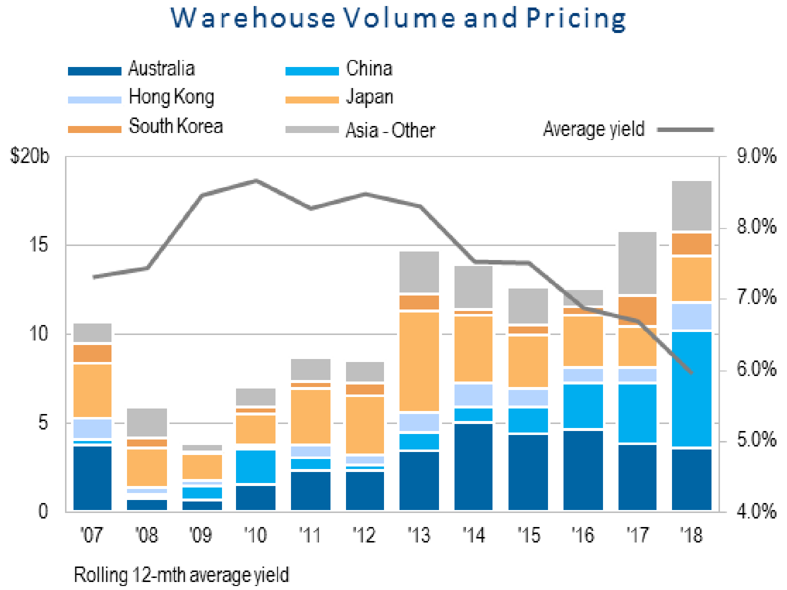


Source: 2019 Real Capital Analytics, Inc. Global Capital Trends report

APAC Trends – Yields declining and Logistics in vogue

The strong appetite for commercial property pressed average transaction yields lower throughout 2018.

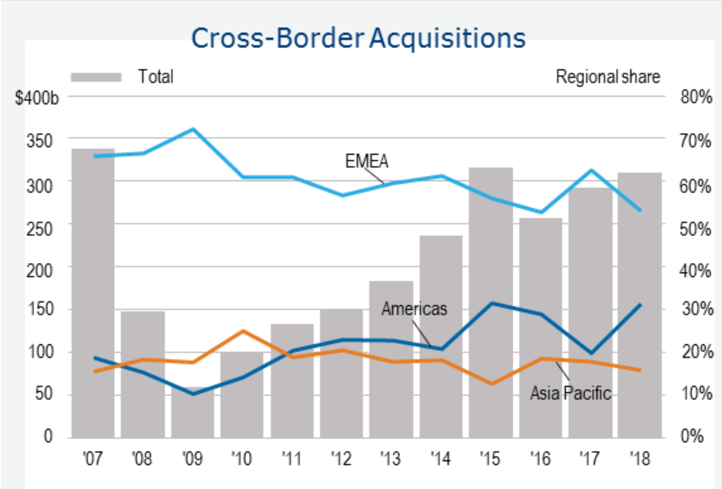


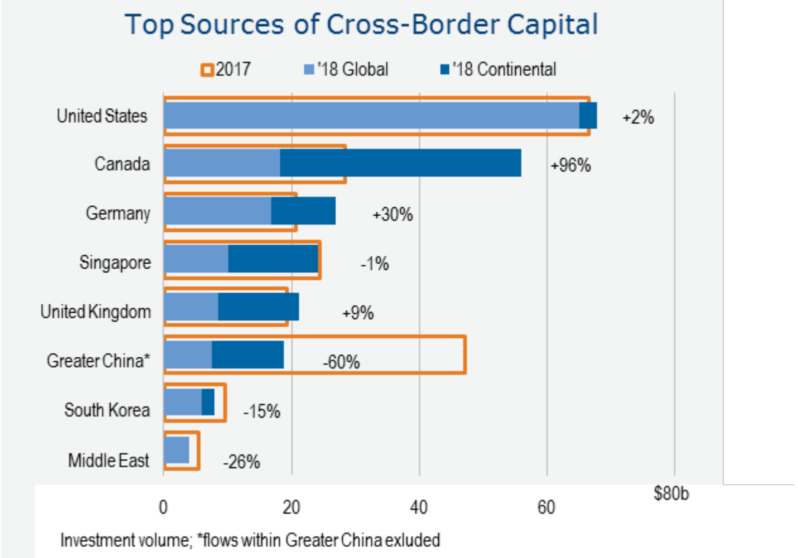


- Asia Pacific commercial property investment stood near record levels in 2018.
- Annual activity was the second highest in history, down just 2% from the record year of 2017.
- The industrial market registered record annual investment volume across Asia Pacific, with capital crowding into both flex and warehousing properties.
- On a country level it was the biggest year on record for industrial volume in Singapore and China.

Cross Border Investors account for 25% of global deals

- Cross-border investment was a key determining factor in whether markets around the world recorded positive or negative activity growth in 2018.
- The volume of capital moving across borders reached its third highest annual level, and, except for the unusual 2015 surge, the level of capital flowing across borders has grown steadily since 2009.
- Europe is still the key market for cross border flow
- Germany-based investors increased their activity by 30% across the year and Canadians by almost 100%
- Investors from Greater China cut back their global and continental overseas acquisitions by 60% versus 2017. As government capital controls restrict capital flow, this is likely to be a trend through 2019.





Cross-Boarder Acquisitions from Asia Pacific

Cross-Border Acquisitions Table (Country, Volume (A$m), Annual)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Singapore	86	1,813	789	1,323	4,397	2,788	7,204	9,004	8,780	10,452	1,182
South Korea	2,079	1,700	463	1,111	2,797	1,860	2,753	5,261	7,397	9,451	5,257
Hong Kong	22	281	1,096	1,506	2,998	3,292	4,741	4,938	10,991	4,297	1,261
China	223	573	349	1,183	6,319	6,750	7,231	5,630	24,773	2,907	540
Malaysia	210	828	1,937	2,400	1,599	2,582	1,816	961	514	1,510	-
India	50	765	25	111	649	1,308	246	163	226	968	-
Australia	1,265	1,026	1,302	142	1,401	551	1,720	2,482	777	900	126
Taiwan	86	37	-	29	-	1,310	2,135	70	338	820	-
Japan	113	30	411	743	807	363	355	62	84	767	-

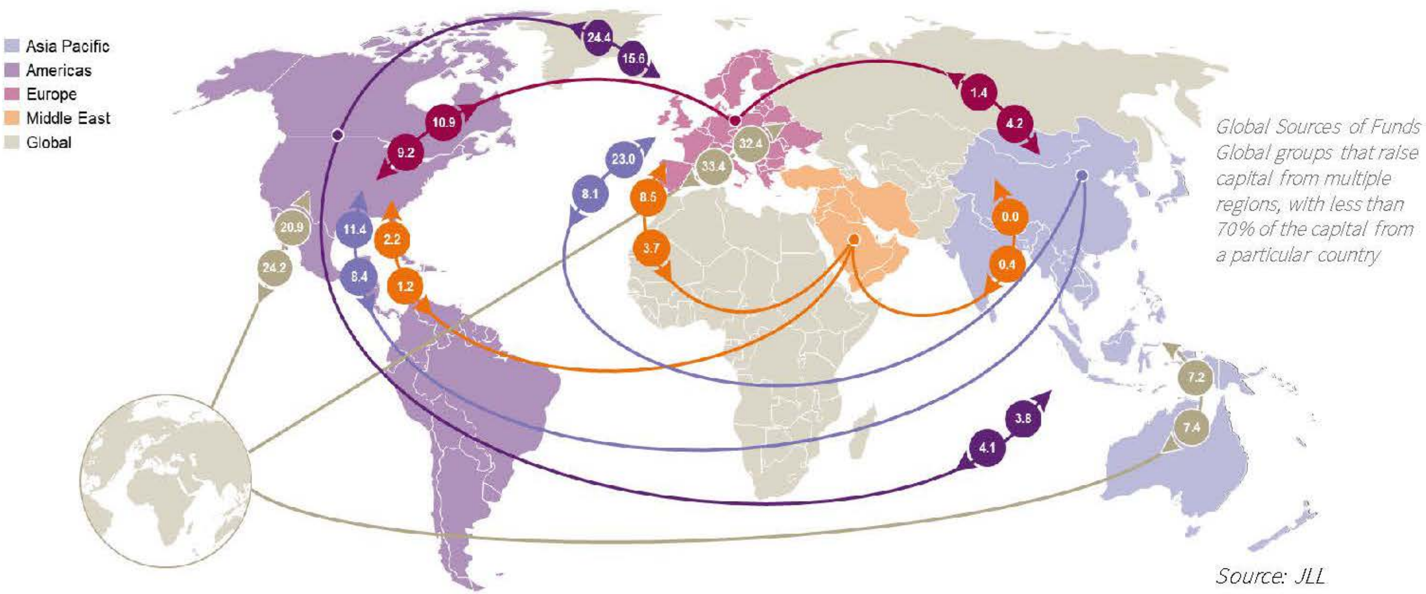
Source: Real Capital Analytics (RCA) Trends & Trades, April 2019

Global Cross-Border Real Estate Net Capital Flows

Eurozone Growth is Slowing but Investment in European Property is Increasing

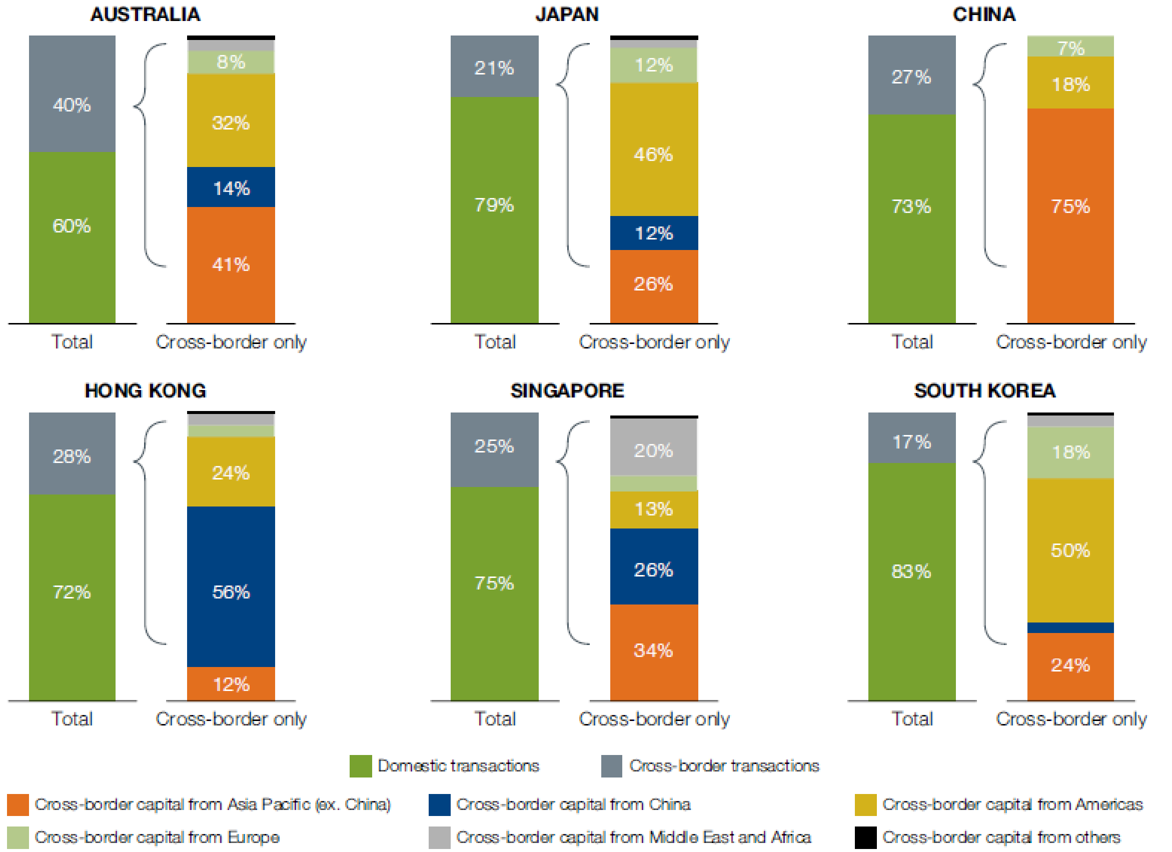
- **Most active – global funds**
  - Global Funds still the most active buyers with US$32.4 billion in acquisitions
  - 58% of the investment was in the UK, France and Germany; Poland, Spain and Italy the next 3 destinations
- **Asian groups – second biggest investors**
  - The largest net-exporters of capital globally with US$17.8 billion more in inter-regional purchases than sales
  - Majority of Asian investment focused on the office sector with the industrial sector quickly gaining traction

Inter-regional flows, FY 2018 (US$272 billion in total)



Source: JLL

Aus has the highest % of property acquired by o/s capital



Note: Based on independent reports of income properties and portfolios, US$10million or greater. Income properties include the following property types: apartment, office, retail, industrial, and hotel.

Source: Real Capital Analytics.

Source: Emerging Trends in Real Estate Asia April 2019 (PWC ULI)

Top Players from Asia Pacific

Buyers				Past 24 Months			All Time	
Rank	Buyer	City, State / Country	Investor Type	Acq (A$m)	# Props	Avg. Price (A$m)	Total Global Acq (A$m)	# Props
1	CIC	BeijingCHN	SWF	19,111.7 A$	604	31.6 A$	41,207.4 A$	795
2	Hana Financial Group	SeoulKOR	Finance	4,088.0 A$	17	240.5 A$	12,301.1 A$	82
3	Frasers Property	SingaporeSGP	REOC	3,799.5 A$	60	63.3 A$	10,749.3 A$	185
4	Mirae Asset	SeoulKOR	Inv. Mgr.	3,601.2 A$	8	450.1 A$	18,612.8 A$	65
5	C C Land Hldgs	Hong KongHKG	REOC	2,756.3 A$	2	1,378.1 A$	7,548.4 A$	28
6	GLP (REOC)	SingaporeSGP	REOC	2,612.5 A$	63	41.5 A$	30,497.7 A$	1159
7	Samsung Life Insurance	SeoulKOR	Insur.	2,289.6 A$	5	457.9 A$	12,185.9 A$	61
8	Lee Kum Kee	Hong KongHKG	Dev/Own	2,196.6 A$	2	1,098.3 A$	4,668.1 A$	8
9	NPS	JeonjuKOR	Pen. Fund	2,112.9 A$	1	2,112.9 A$	21,809.9 A$	131
10	Hyundai M&F Insurance	SeoulKOR	Insur.	1,934.0 A$	5	386.8 A$	4,036.3 A$	15
11	KB Financial Group	SeoulKOR	Finance	1,912.7 A$	6	318.8 A$	8,683.3 A$	67
12	GIC	SingaporeSGP	SWF	1,794.7 A$	31	57.9 A$	92,719.6 A$	1603
13	Ho Bee Land	SingaporeSGP	REOC	1,770.6 A$	3	590.2 A$	6,156.1 A$	33
14	CK Asset Holdings	Hong KongHKG	REOC	1,756.3 A$	1	1,756.3 A$	18,905.1 A$	54
15	IGIS	SeoulKOR	Inv. Mgr.	1,415.3 A$	4	353.8 A$	9,474.1 A$	50
16	NH Inv & Securities	SeoulKOR	Inv. Mgr.	1,313.2 A$	3	437.7 A$	7,351.4 A$	16
17	Korea Investment Holdings	SeoulKOR	Finance	1,312.9 A$	5	262.6 A$	3,978.3 A$	15
18	Employees Provident Fund	Kuala LumpurMYS	Pen. Fund	1,251.0 A$	8	156.4 A$	10,553.2 A$	243
19	Cindat Capital Management	BeijingCHN	Inv. Mgr.	1,215.0 A$	25	48.6 A$	3,716.6 A$	78
20	Cheung Kei Group	ShenzhenCHN	Dev/Own	1,188.8 A$	2	594.4 A$	2,295.4 A$	6

Source: Real Capital Analytics (RCA) Trends & Trades, April 2019

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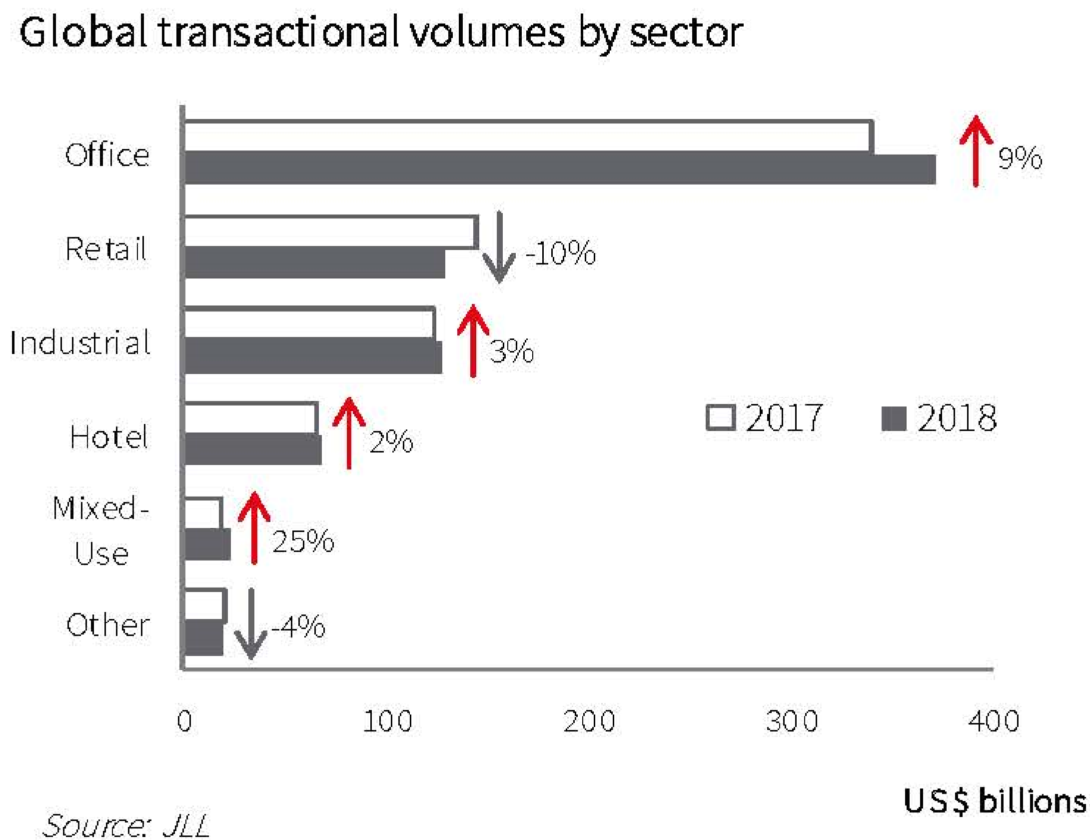
Global Capital Targets

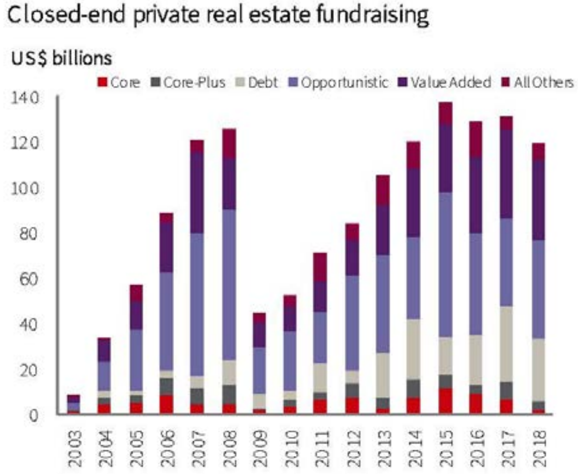
Office still Preferred Sector 2018 vs 2017

- Office continues to be the key asset class, with Industrial nearly the same level of transaction as the declining Retail

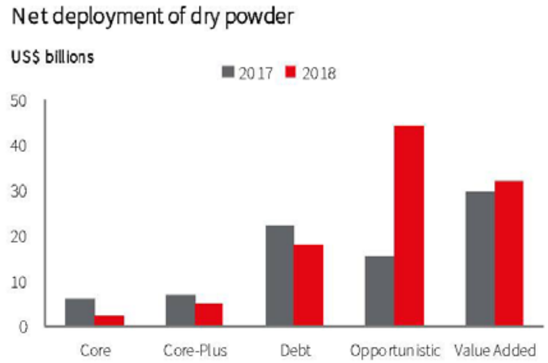


Big Money Funds moves up the Risk-Return Curve

- **Fears of an impending cyclical reversal**
  - Liquidity in the market is at an all-time high; capital from some of the world's largest institutional investors (mostly Asia-based) continuing to pour into regional property as investors seek to boost income beyond what regional/global bond markets offer
  - Having resisted RE in the past as an illiquid/alternative asset class, RE is now increasingly a mainstream portion of portfolios
  - Allocations to RE that in the past were considered aggressive at 5 - 8 per cent of assets are now de rigueur, with some investment managers reporting that the biggest institutions
- **Lower-risk strategies challenged to deploy capital**
  - Funds with lower-risk strategies deployed less dry powder than those on the other end of the risk-return curve in 2018
  - Core and core-plus funds deployed the least / opportunistic and value added funds were the most successful at deploying capital



Source: Preqin, JLL



Source: Preqin, JLL

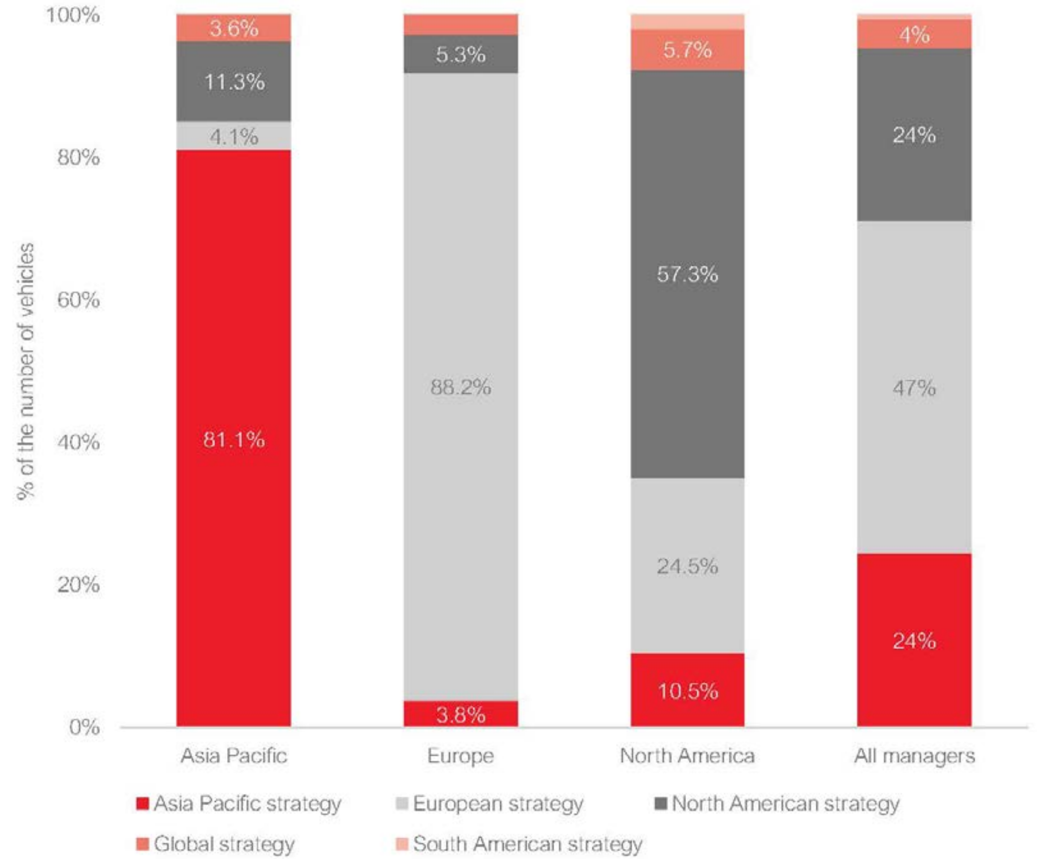
Fundraising Activities by Regional Strategy / by Fund Manager

Equity raised by regional strategy / by fund manager domicile largely remain focused on domestic markets

- Regardless of whether capital is targeting Asia Pacific, Europe or North America, the largest proportion is destined for domestic markets, although there are some regional variations, particularly among North American fund managers.

Source: ANREV

Figure 3.5 - Equity raised by regional strategy and by fund manager domicile (number of vehicles)



Note: Based on a sample of 993 vehicles

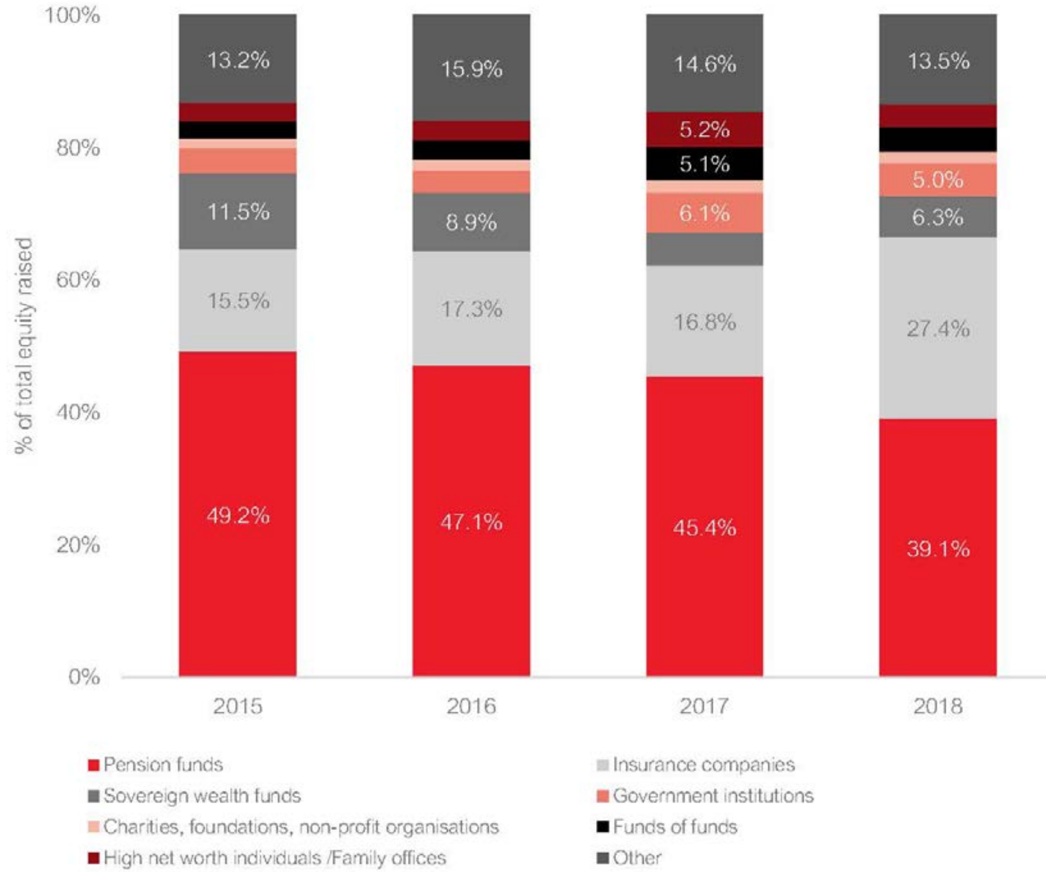
Non-Listed RE Fundraising Activities by Investor Type

Pension funds continued to provide the majority of capital for the non-listed real estate industry in 2018

- Pension funds share decreases but as a group, they have 39.1% share of all new equity raised for non-listed real estate sector
- Contribution from insurance companies surged and it now represents 24.5% of the capital raised in 2018.
- Capital raised from sovereign wealth funds has also increased compared to 2017
- Government institutions (5.0%), funds of funds (3.7%), high net worth individuals (3.04%), charities, foundations and non-profit organisations (1.57%) and other investors (13.5%) make up the remaining sources of capital in 2018

Source: ANREV

Figure 3.10 - Equity raised from 2015 - 2018 by investor type (value)



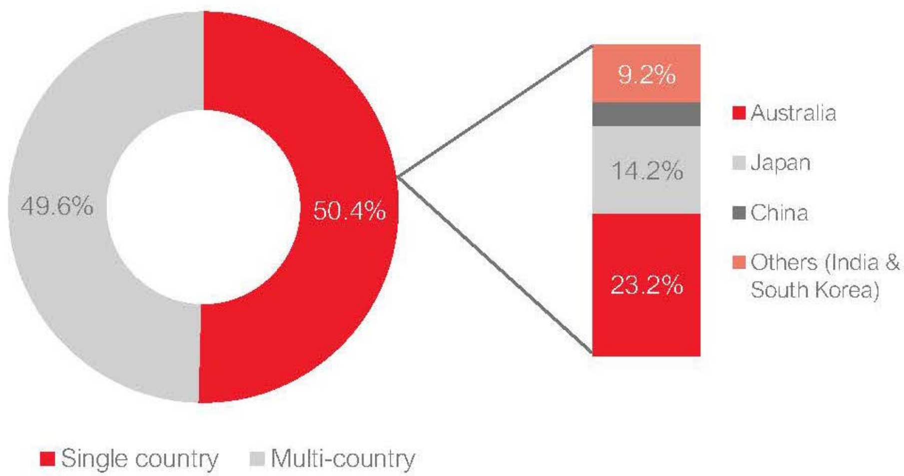
Note: Based on the reported value of US$165.4 billion (for 2018)

Non-Listed RE Equity Raised by Country and Sector Strategy

Australia attracted the largest share of equity raised for single country funds

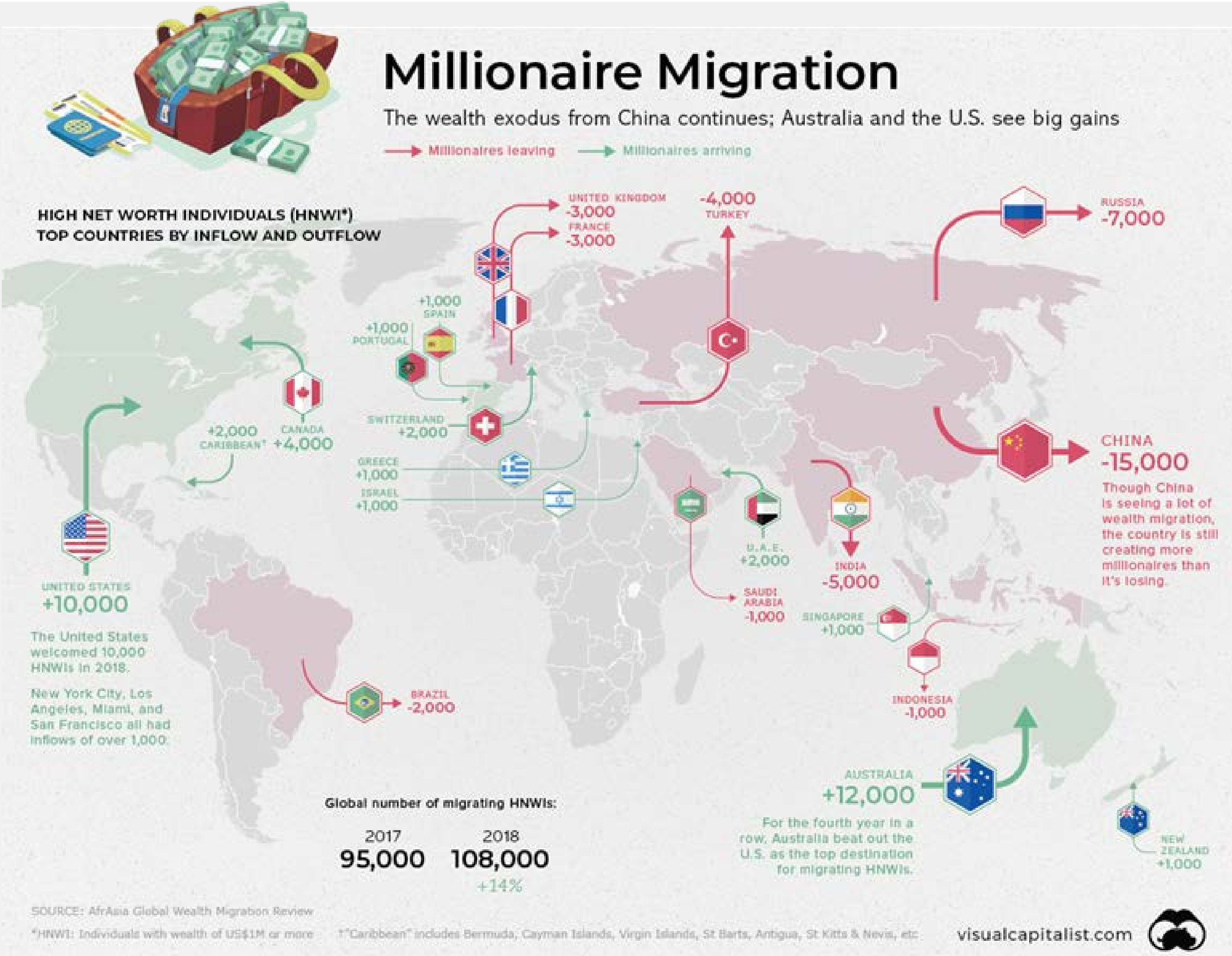
- In 2018, slightly more than half of the capital (50.4%) was raised for single country funds, with the balance 49.6% raised for multi country funds
- In 2018, funds targeting Australia attracted the largest share of equity (23.2%) raised for single country funds, followed by Japanese funds (14.2%).
- On the basis of capital raised by structure and country strategy, single country open end funds raised more capital (59.3%) than multi country open end funds(40.7%)
- Of the total US$3.0 billion raised for open end single country funds, more than 90% was destined for Australia.

Figure 6.4 - Equity raised for Asia Pacific non-listed real estate funds by country strategy (proportion of total equity raised)



Source: ANREV

Rise of Global Private Wealth



Australia (Sydney/Melbourne) on the Map

Asia Pacific City Investment Prospects, 2019

- Melbourne and Sydney rank in the Top 3 preferred APAC destinations for foreign investors for in 2019 from PWC Emerging Trends Annual report

Generally poor | Fair | Generally good

1	Melbourne	5.89
2	Singapore	5.88
3	Sydney	5.87
4	Tokyo	5.86
5	Osaka	5.70
6	Shanghai	5.70
7	Ho Chi Minh City	5.69
8	Shenzhen	5.46
9	Seoul	5.44
10	Guangzhou	5.33
11	Bangkok	5.30
12	Beijing	5.23
13	Mumbai	5.23
14	Hong Kong	5.16
15	Jakarta	5.09
16	Bangalore	5.05
17	New Delhi	5.03
18	China – second-tier cities	5.01
19	Manila	4.99
20	Auckland	4.97
21	Taipei	4.90
22	Kuala Lumpur	4.89

Source: *Emerging Trends in Real Estate Asia Pacific 2019* survey.

SOURCE: EMERGING TRENDS IN REAL ESTATE ASIA APRIL 2019 (PWC ULI)

Aus is one of Most Credit-Worthy Countries in 2019

- Australia is most Credit Worthy country in APAC
- Australia and Singapore are only 2 APAC countries out of 11 with AAA credit ratings from all 3 rating agencies

Table 4: Most creditworthy countries

Country	Rank	CDS (bp)
Switzerland	1	12
Germany	2	13
Austria	3	14
Sweden	4	14
Norway	5	14
Netherlands	6	15
Denmark	7	16
Finland	8	16
Australia	9	17
New Zealand	10	21
Japan	11	25
United States	12	25
Belgium	13	27
France	14	30
South Korea	15	31
Canada	16	32
UK	17	34
Ireland	18	35
Czech Republic	19	38
Hong Kong	20	40
Slovakia	20	42
Thailand	22	44
Chile	23	49
China	24	54
Philippines	25	61

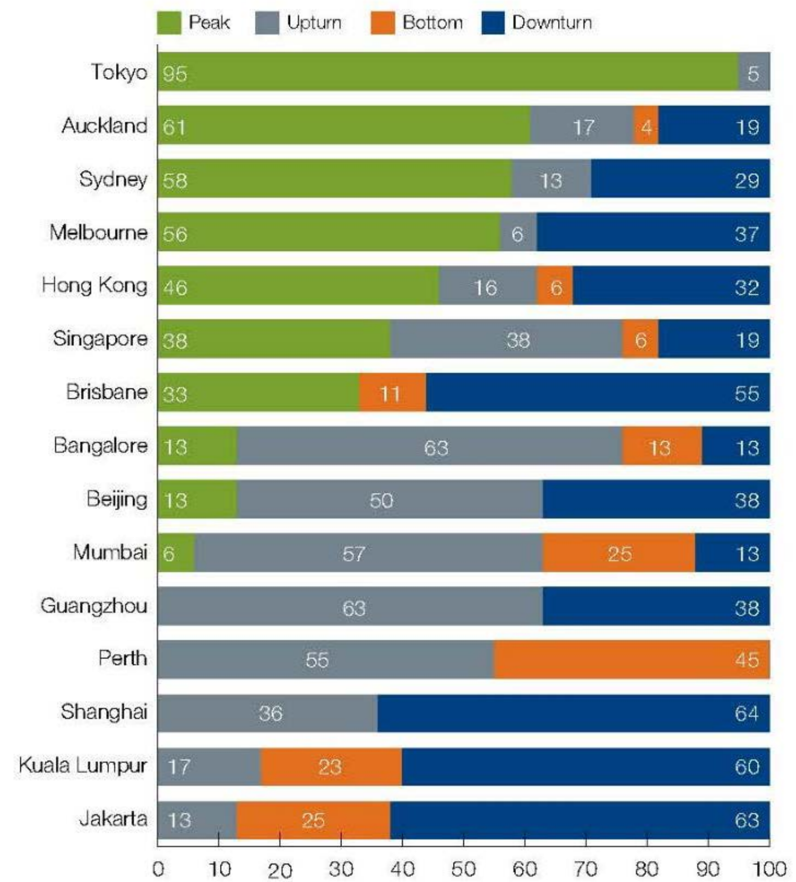
Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg, as of 3/20/2019

SOURCE: THE HITCHHIKER'S GUIDE TO THE INVESTMENT (BAML)

Stage of Property Cycle in APAC

Percentage of respondents in respective cities perceiving market Conditions to be in various stages of the cycle

- Consensus view is Tokyo has peaked
- Approximately half of global investors still believe there is more upside in the cycle in Sydney and Melbourne, in part due to strong rent growth

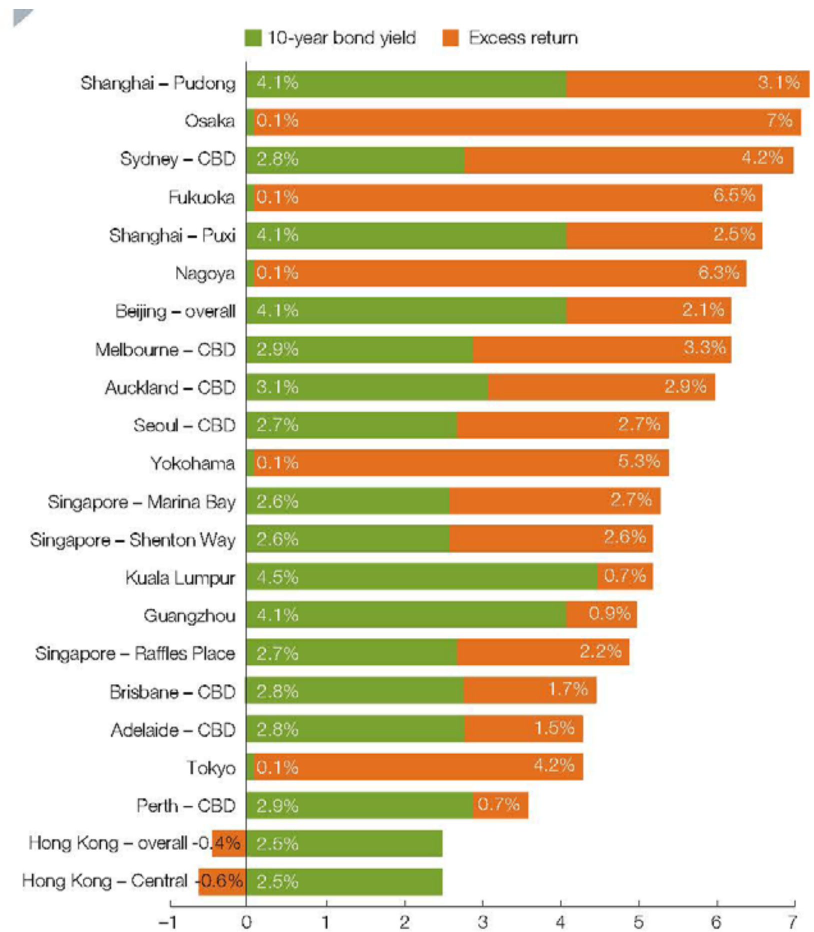


Source: RICS.

Stage of Property Cycle in APAC – Sydney has growth

Office Sector: Projected total annual return, 2018 2022

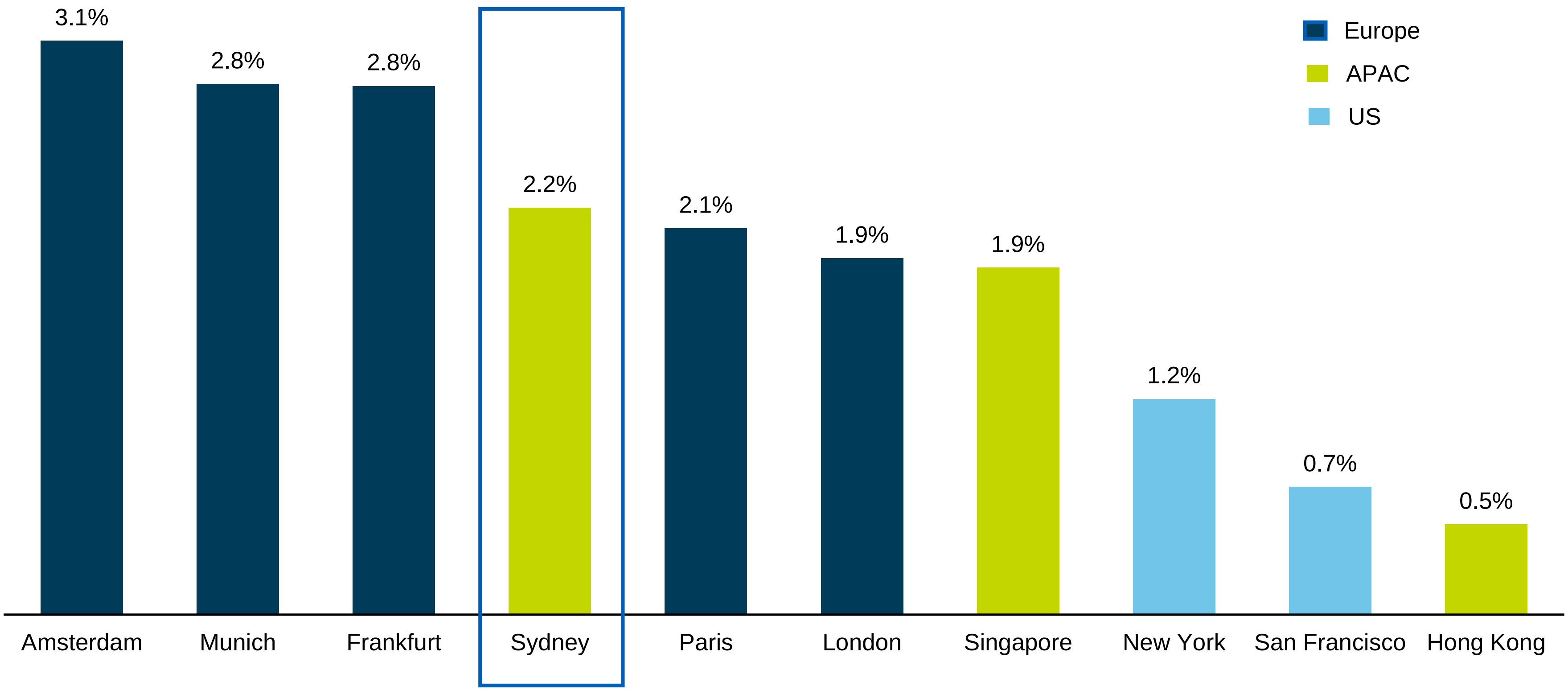
- Sydney office has 3rd highest expected IRR over next 4 years
- Well above the 10 year bond



Sydney Spreads are Attractive on a Global Basis

Prime Grade A Office Effective Yield Spread to 10-year Government Bonds

- While cap rates are low, the risk premium relative to Bonds is higher in Europe than other markets



Source of data: Savills World Research 2H2018, Bloomberg

Sydney Office – still relatively high cash on cash yield

	Hong Kong	Seoul	Singapore	Shanghai (RMB)	Sydney	Tokyo
3-month interbank rate (%)	2.10	1.80	1.65	4.35*	1.95	0.05
Typical margin (bps)	80	150	100	1.3x	180	70
All in cost of debt (%) (variable)	2.90	3.30	2.65	5.65	3.75	0.75
Typical LVR (%)	40	40–60	40–60	30–40	40–55	50–70
Transactional yield (%)	2.7	4.5	3.6	3.3	4.6	2.9
Yields spread over debt cost (bps)	-20	120	95	-235	100	215
Cash-on-cash yield (%)	2.6	5.7	4.6	2.0	5.8	6.1
Interest coverage multiple	2.3	2.7	2.7	1.7	2.5	6.4

Note: Prime transactional yields for all markets (except equivalent yields for Australia and cap rate for United States), represent JLL's "market view" based on a combination of market evidence where available and a survey of expert opinion. Debt costs are based on investment-grade borrowers, core stabilised assets fixed pricing on typical market maturities.

*China prime lending rate.

Source: JLL, as of October 2018.

Cross-border Investors turn to European markets

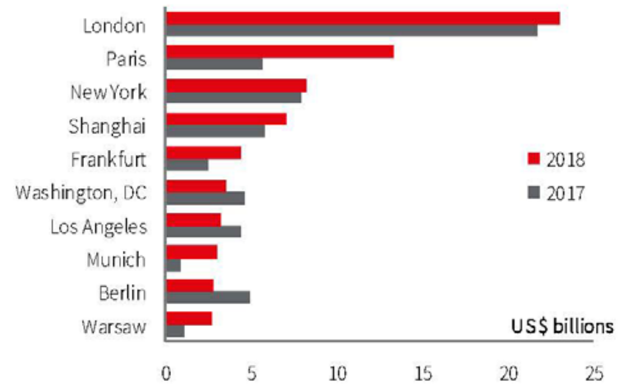
- **London – world's most liquid RE market second year in a row**
  - Volumes increased by 14% to US$36.3 billion in 2018. While concerns over Brexit remain, investors stayed in the market, with a focus on the office sector which attracted 74% of all investment.
  - New York rebounds / moves into second place with rebound mostly driven mostly by domestic groups (providing 72% in 2018). Most notable is the drop in Chinese investment, with decline from average of US$3.1 billion between 2015 and 2017 to just US$216 million in 2018.
- **Paris records its best performance in over a decade**
  - Best annual performance since 2007 as 2018 volumes increased by 27% (contributed to a wave of foreign capital which accounting for 47% of all investment in the city in 2018)
- **Foreign investors make an impact in Warsaw**
  - London still the most favoured market for international investors
  - New entrant in top 10 - Warsaw emerged as the tenth most liquid market for foreign investment in 2018 (with nearly 80% in office)

Most active cities

Rank 2017	Rank 2018	City	2018 (US$ bn)	2017 (US$ bn)
1	1	London	36.3	31.9
4	2	New York	31.4	20.9
3	3	Paris	28.5	22.5
8	4	Seoul	21.7	14.0
5	5	Shanghai	20.5	16.7
6	6	Hong Kong	18.4	16.4
2	7	Los Angeles	18.0	22.9
7	8	Tokyo	17.9	15.4
15	9	Chicago	13.1	8.1
9	10	Washington, D.C.	12.7	11.5

Source: JLL

Top 10 largest recipients of cross-border investment

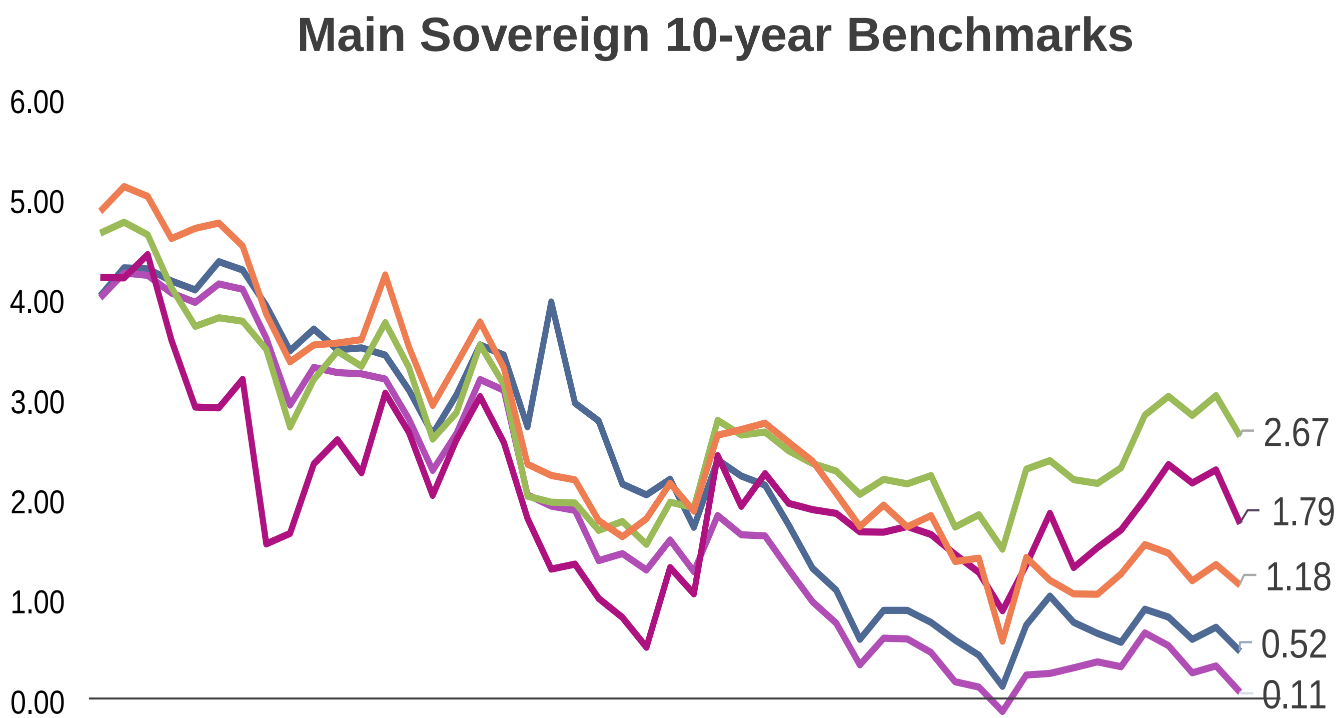


Source: JLL

What are Interest rates telling us?

Global Interest Rate Cycle still implying low macro growth

Long term rates slowly increasing but still low



- Interest Rates have decreased significantly since 2017
  - 10Y Treasuries are up since 3Q 2016 but @ 2.67% they are still 1.6 points lower than in 1Q 2017
  - In Europe, the 10Y Bund and 10Y OAT are still low (0.11% and 0.52% respectively)

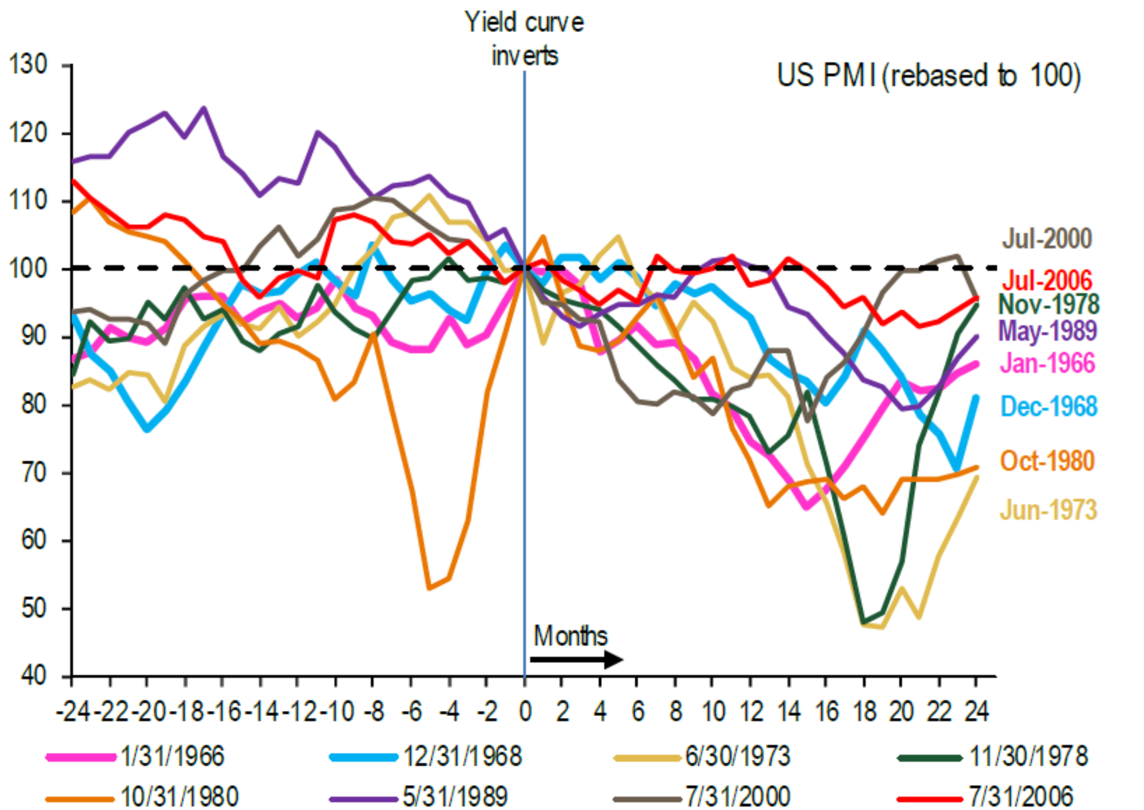
1. Source: REH APAC Presentation, Sources : Datastream, Natixis

Inverted US Yield Curve forecasts Recession

US Economy and the Yield Curve Inversion

US Economy (PMI) has ALWAYS weakened within the year from yield curve inversion

Figure 3: 8 for 8: US Economy (PMI) has ALWAYS weakened within the year from yield curve inversion



Source: BofA Merrill Lynch Global Research, ISM, Bloomberg

Global Inflation Levels

Global Inflation is surprisingly low - such low levels in the past unleashed QE/global reflation

Figure 6: Global Inflation surprisingly low. Such low levels in the past unleashed QE/global reflation

Source: Citigroup, Bloomberg

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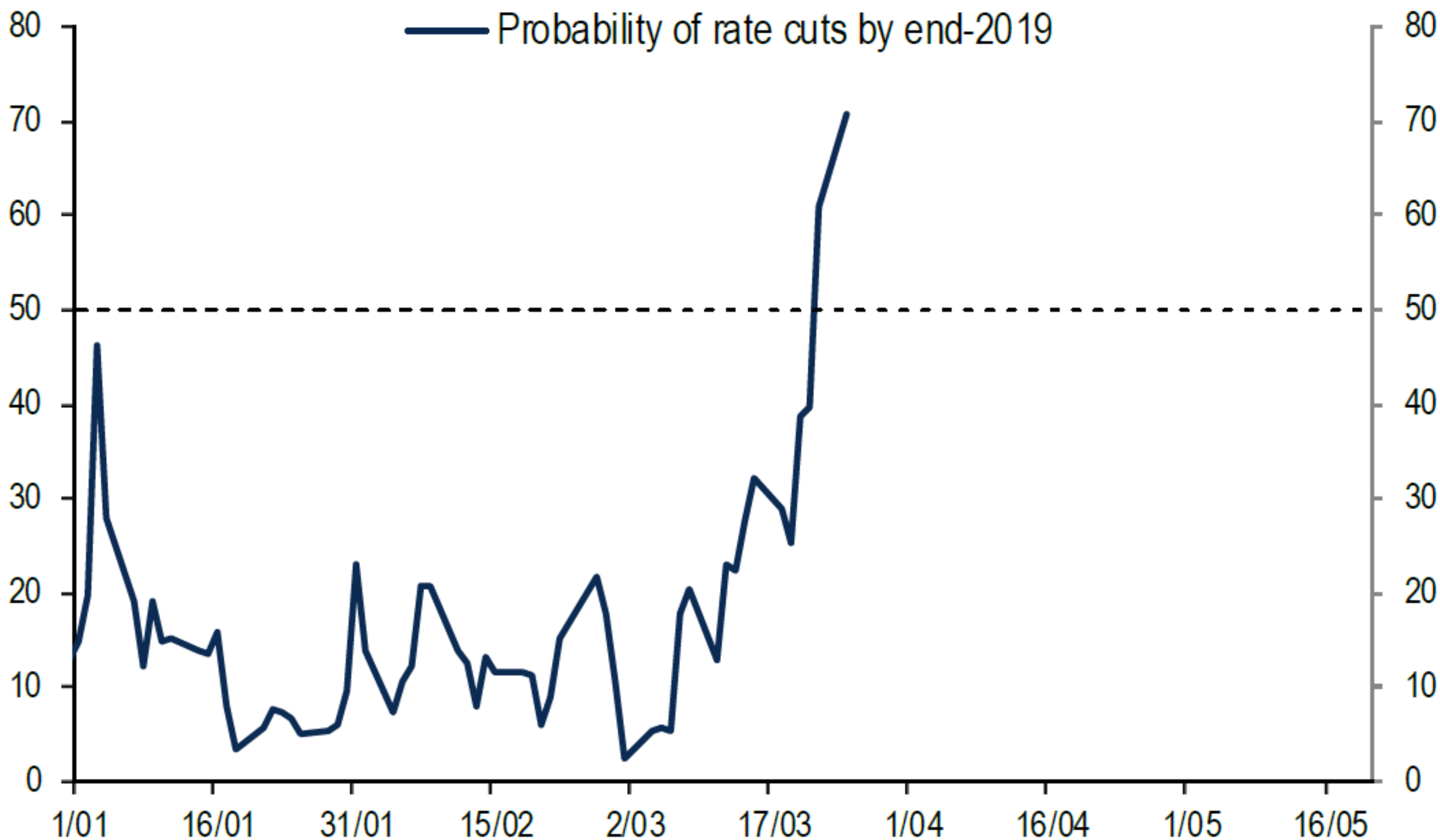
Market Expectations for a US Fed Rate Cut by Year-end

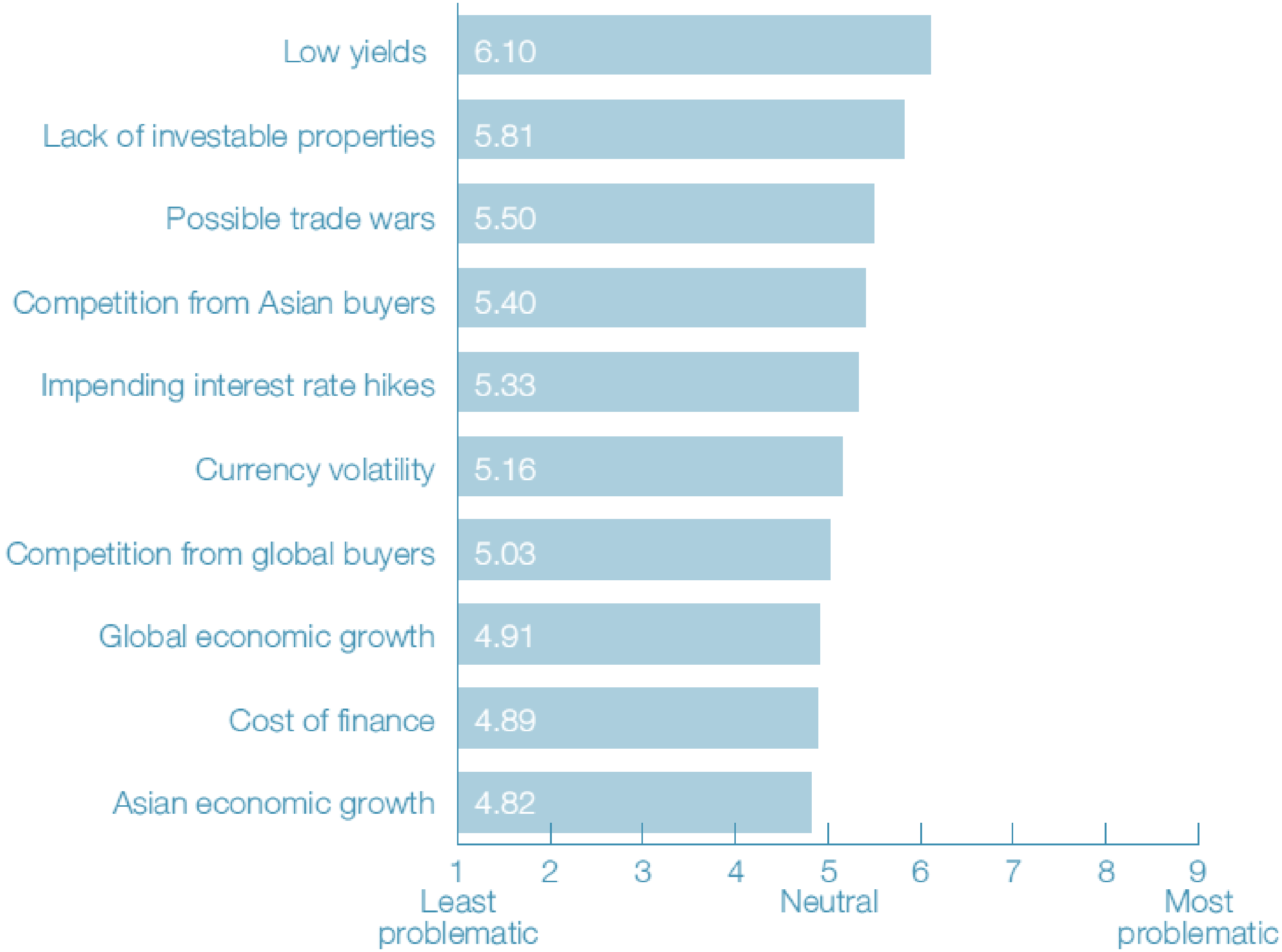
Figure 7: The market expects a 70% chance of a US Fed rate cut by year-end



Source: BofA Merrill Lynch Global Research, Bloomberg

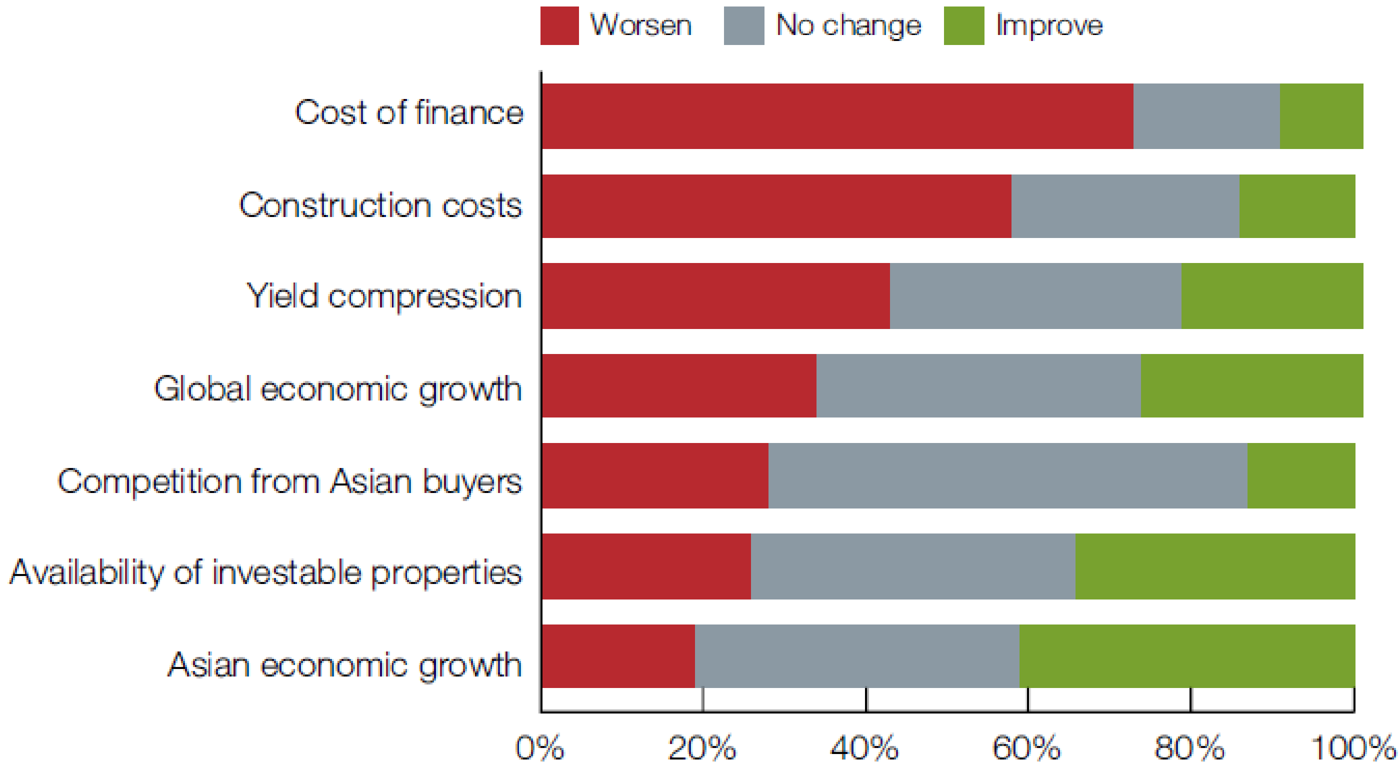
Global Outlook– What should we watch out for?

Most Problematic Issues for Real Estate Investors



SOURCE: EMERGING TRENDS IN REAL ESTATE ASIA PACIFIC 2019 SURVEY (APRIL 2019, PWC ULI)

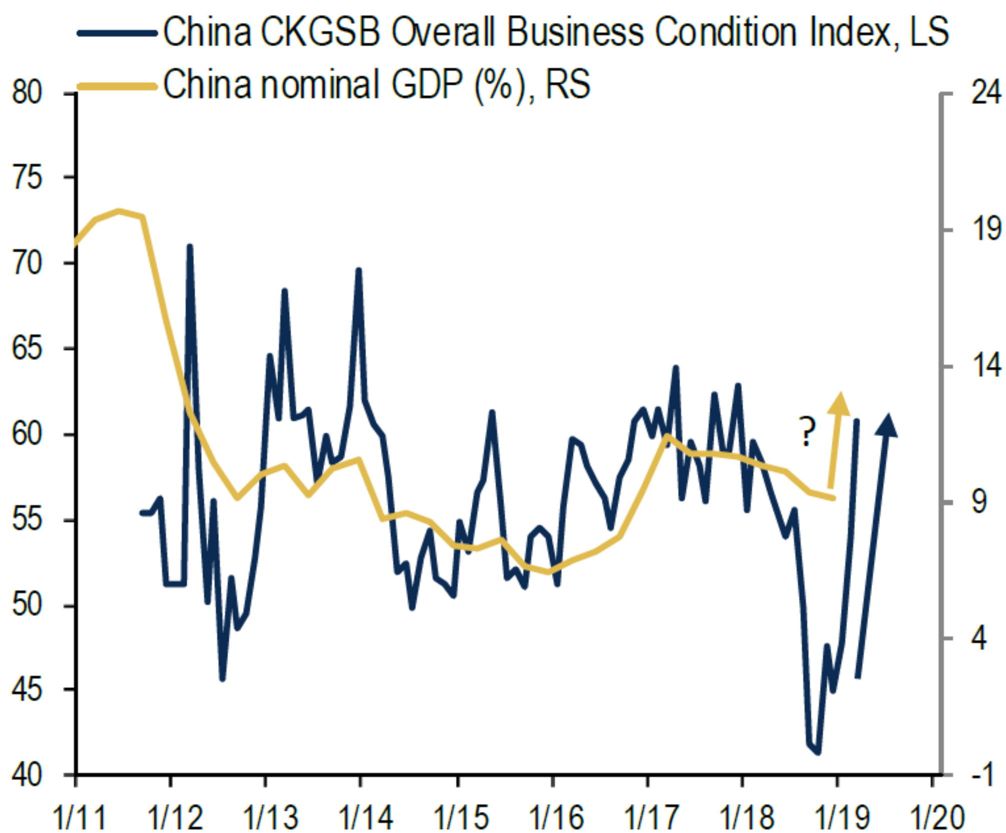
Projected Change in Economic Factors, Next 3-5 Years



Source: *Emerging Trends in Real Estate Asia Pacific 2019* survey.

China Contraction is Not Just About FX controls

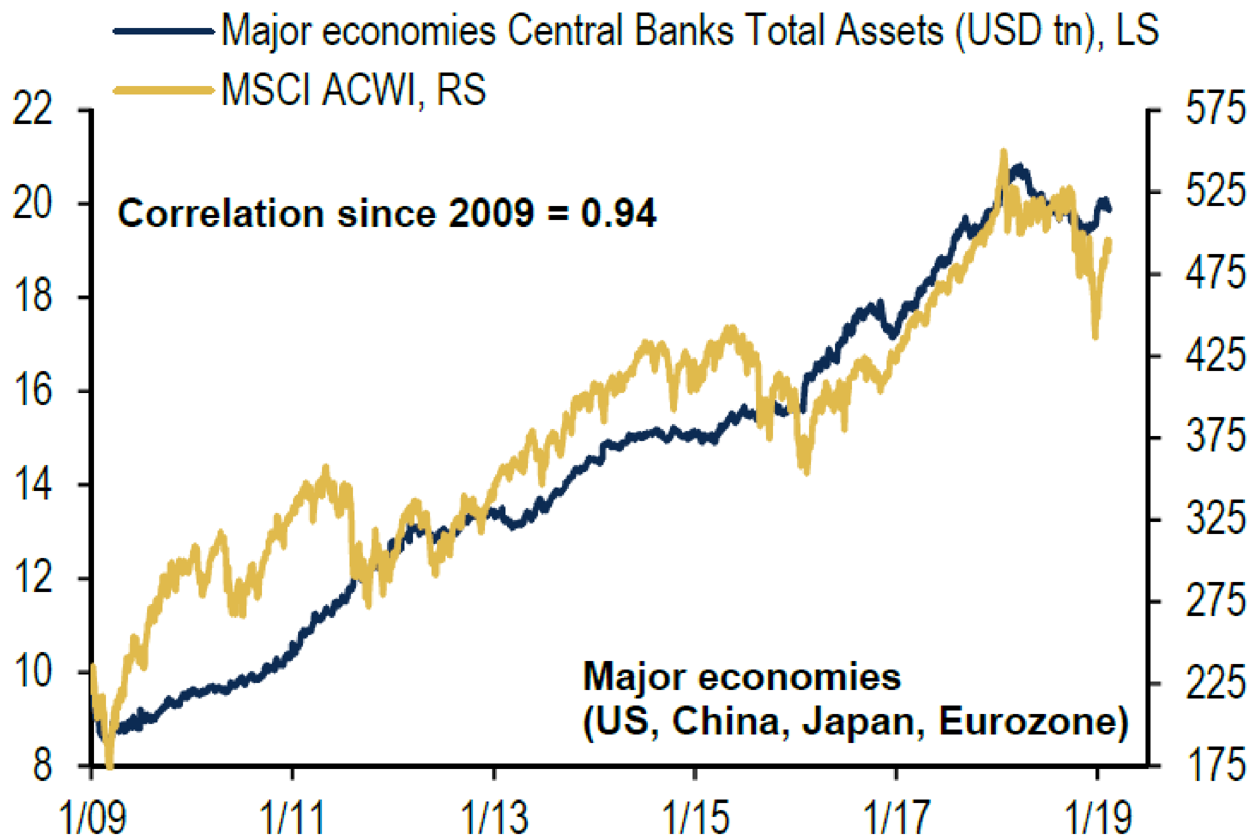
Figure 13: China business confidence (and PE multiple) recovers sharply as Diplomacy, Deleveraging, Defense Competition with the USA (aka trade war), and Deregulatory Rollback, all ease up



Source: BofA Merrill Lynch Global Research, Bloomberg

The Major Central Banks' Balance Sheet is key

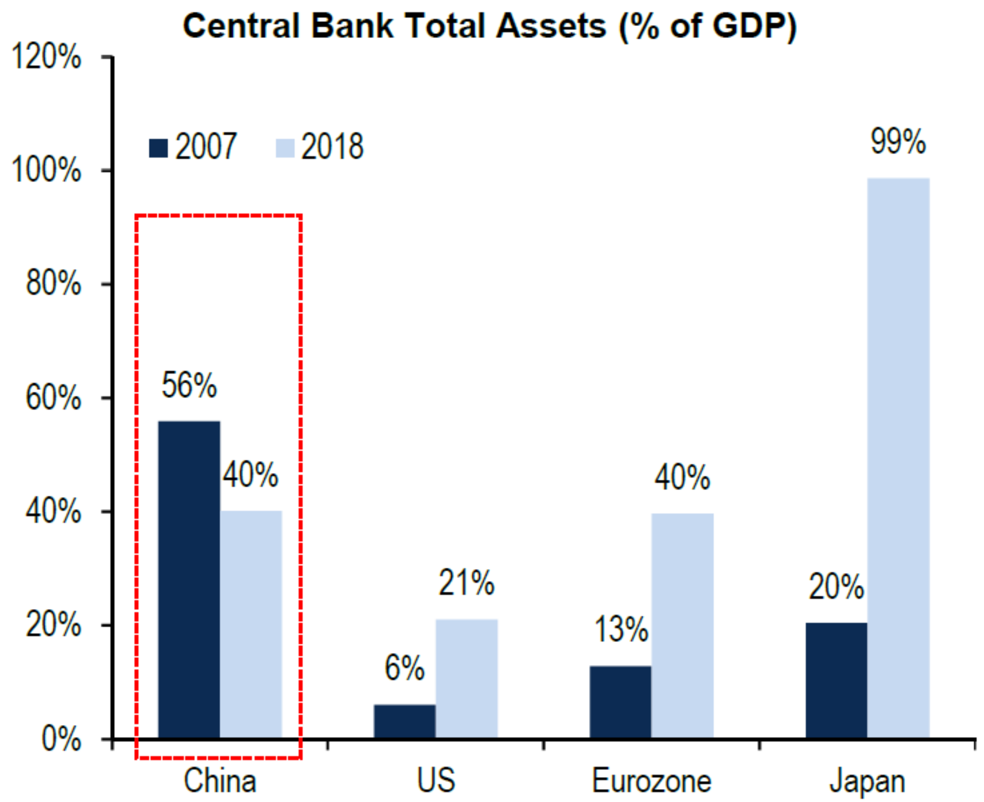
Figure 1: The major Central Banks' balance sheet - the main thing (the only thing?) investors need to watch? (I)



Source: BofA Merrill Lynch Global Research, Bloomberg

Central Bank Total Assets (% of GDP) – still room for stimulous

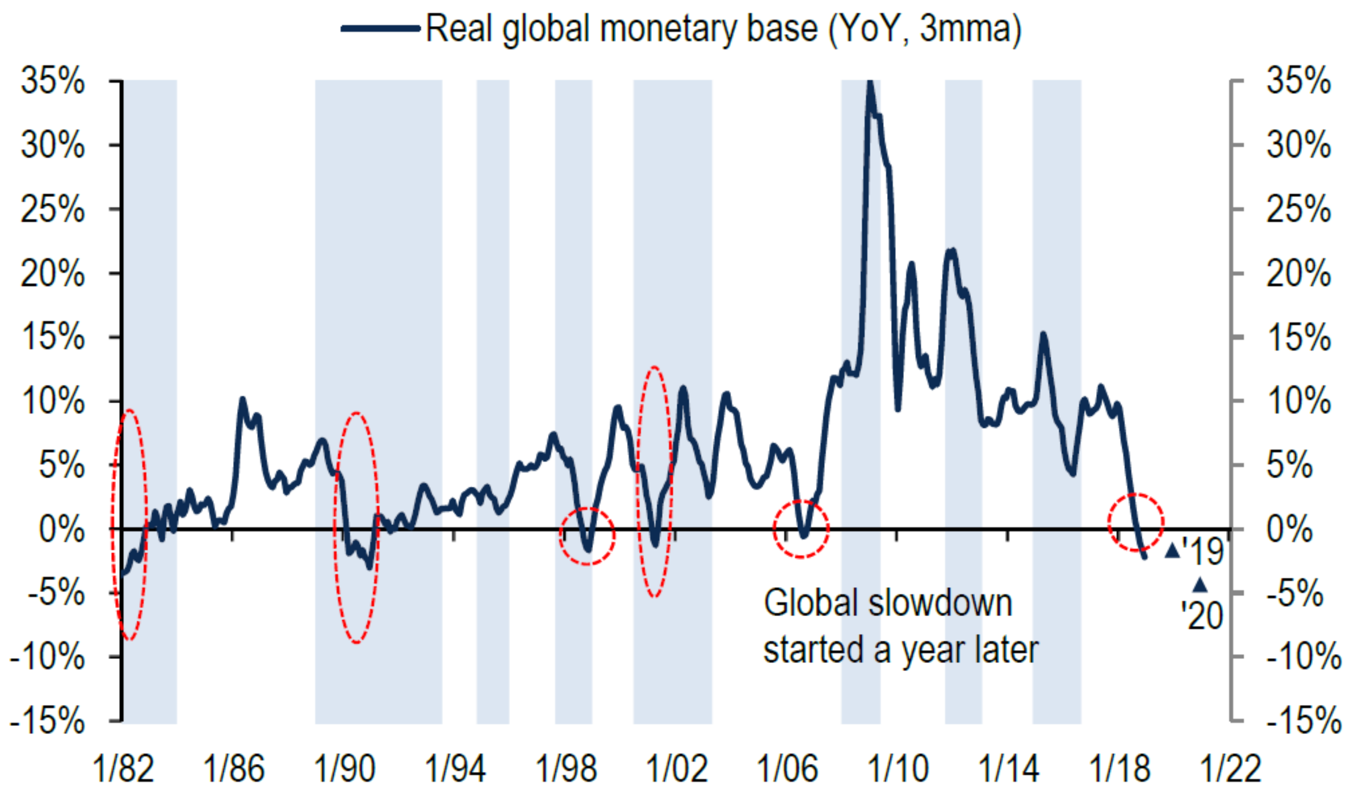
Figure 4: What is the right size of the central bank balance sheet? No one knows. There is no gold medal for shrinking the balance sheet, since we don't know what the right size is. The US has the smallest central bank B/S as a proportion of its economy



Source: BofA Merrill Lynch Global Research, Bloomberg, Haver

Global Monetary Base Shrinks Brings Contraction

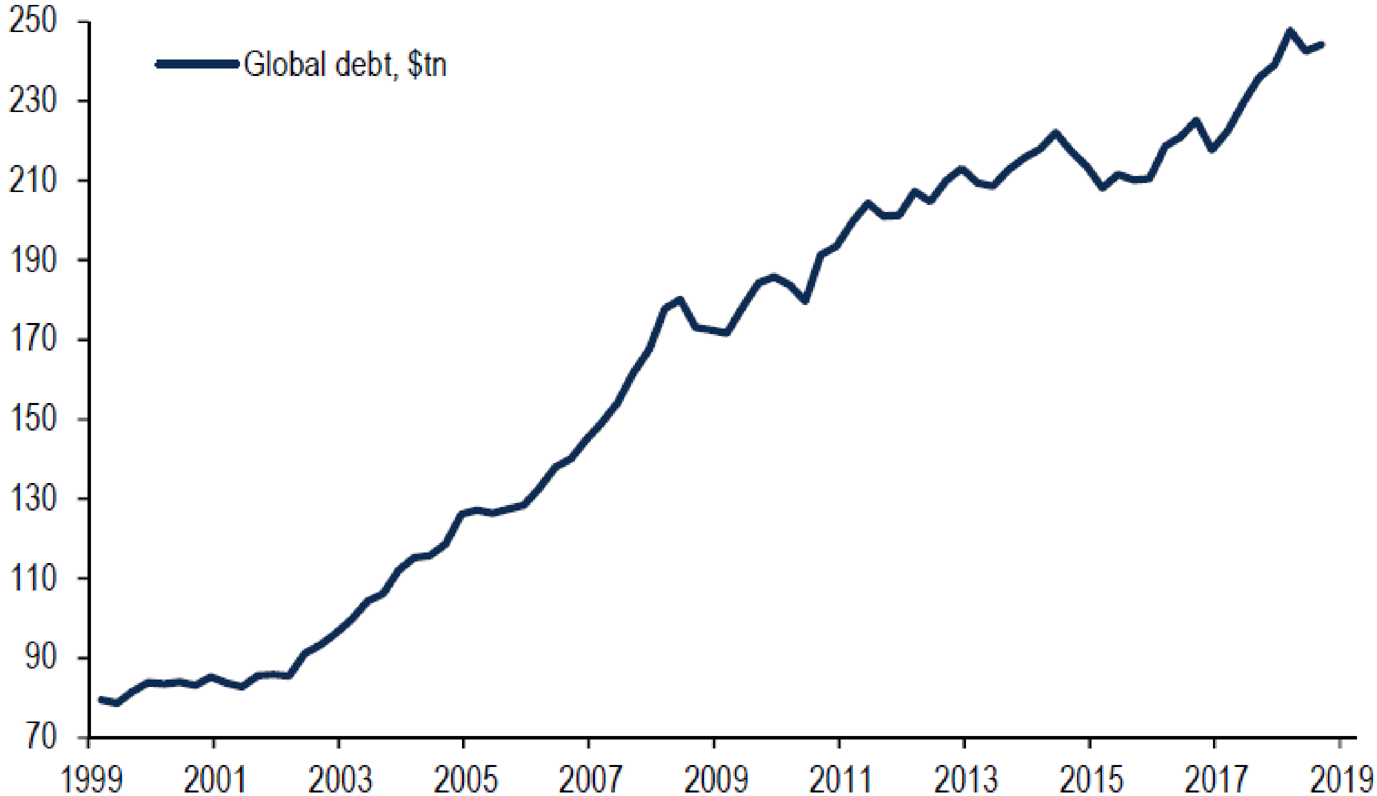
Figure 6: Real Global Monetary base shrunk 2.2% YoY in 2018, and projected to contract 1.6% YoY in 2019. A threat to risk assets...



Source: BofA Merrill Lynch Global Research, IMF, Datastream, OECD, Haver
Note: Global liquidity is calculated as the sum of the monetary bases of individual countries adjusted for exchange rates with respect to Special Drawing Rights. Shaded regions denote OECD-defined global slowdowns.

Global Debt in 2018 – growing faster than GDP

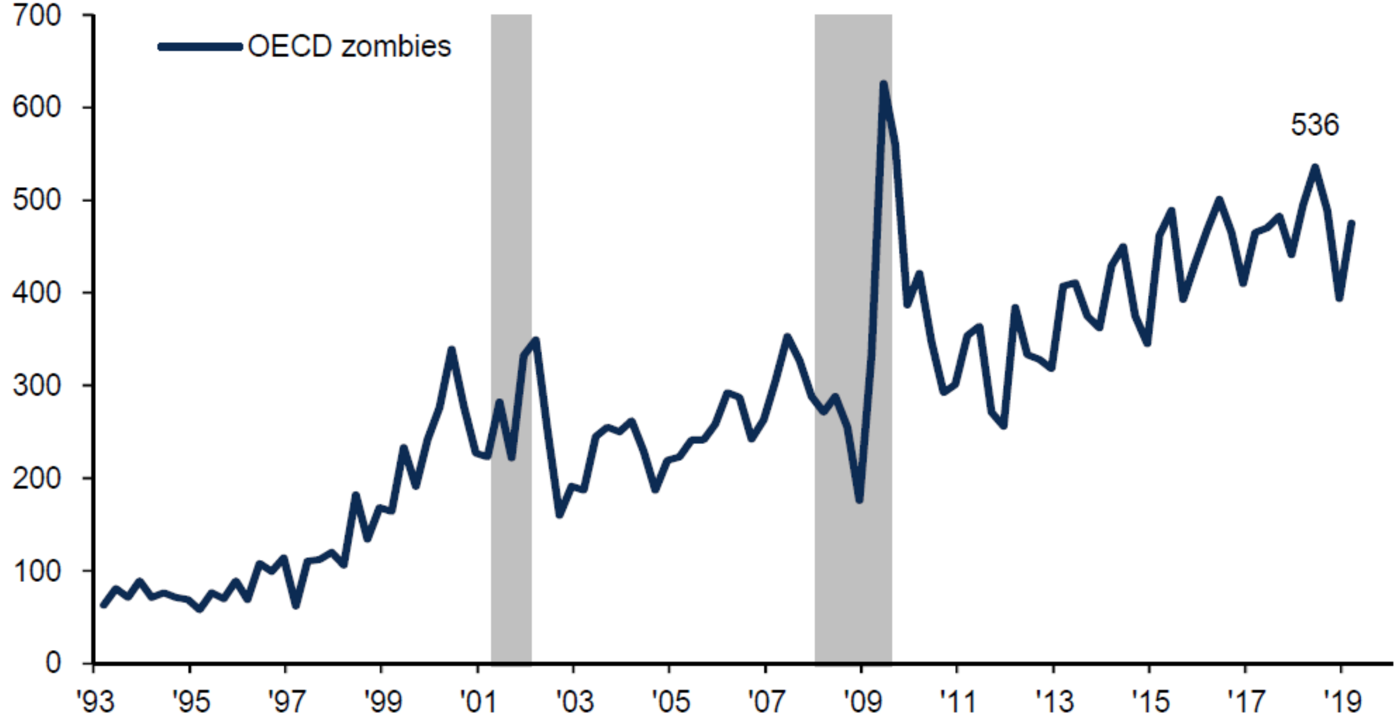
Exhibit 24: Global debt set a new record in 2018



Source: BofA Merrill Lynch Global Investment Strategy, BIS, IIF

High Level in Corporate Debt – growing number of Zombie companies

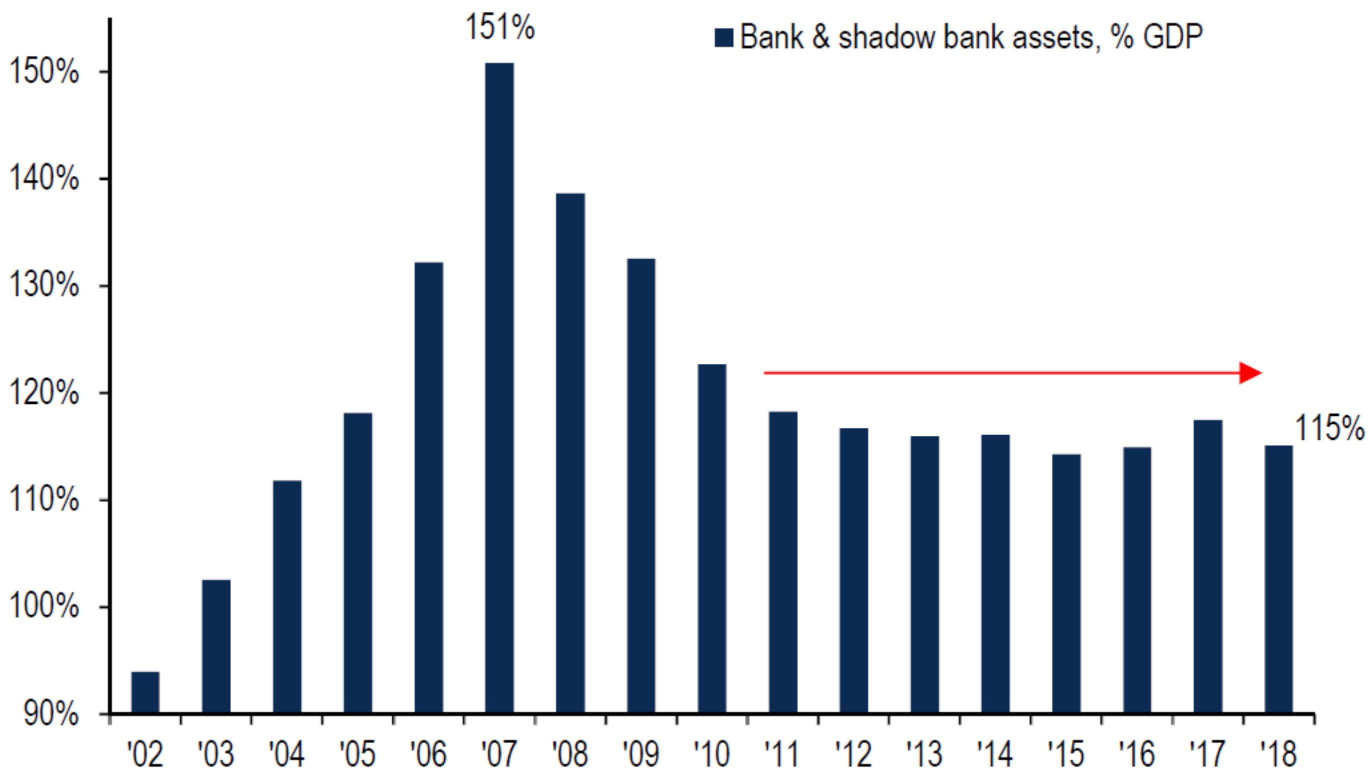
Exhibit 29: High corporate debt has created hundreds of "zombie" companies



Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg

Banking System Assets as % GDP Stable & Low

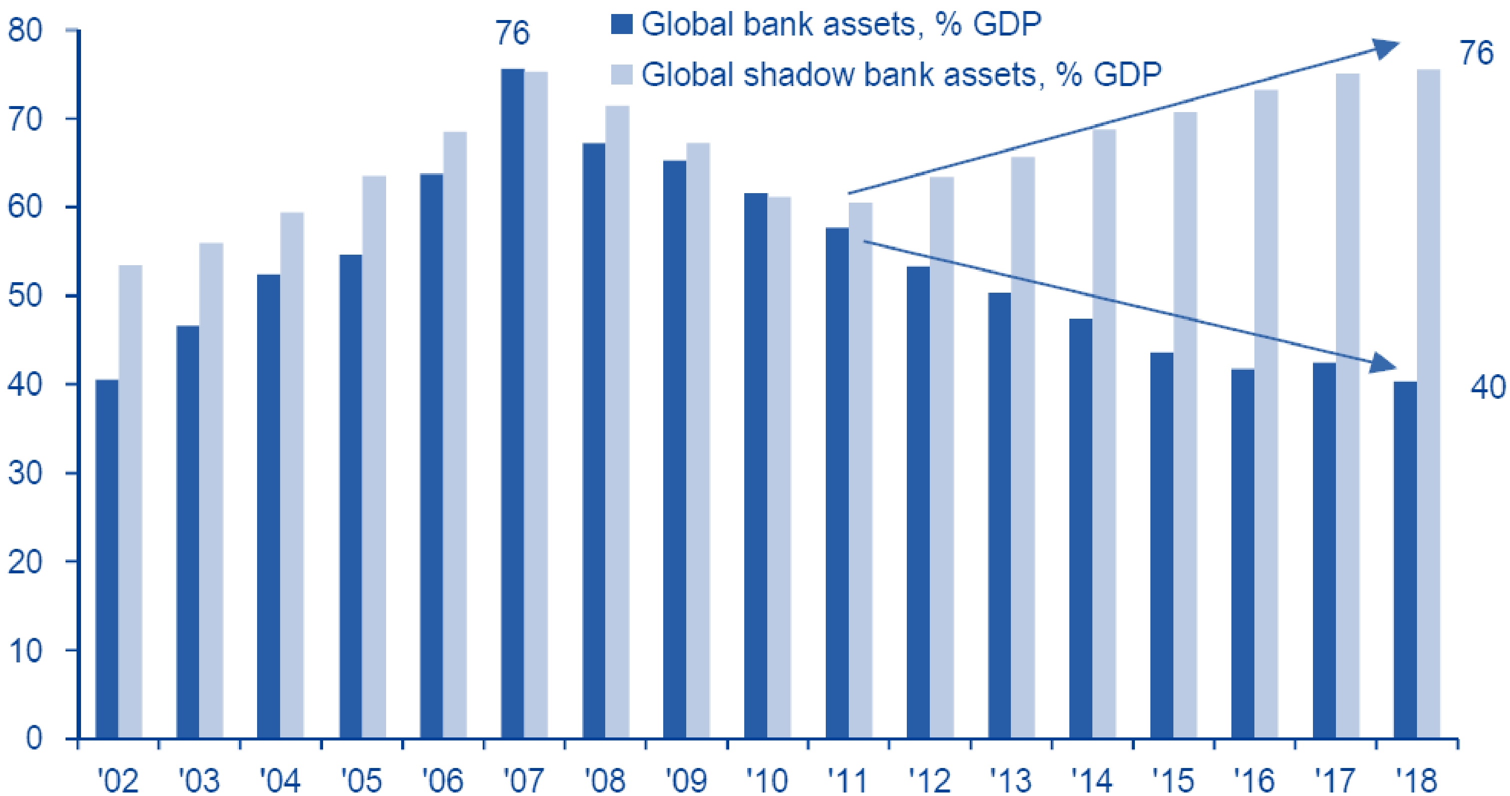
Exhibit 30: Banking system assets as % GDP stable & low



Source: BofA Merrill Lynch Global Investment Strategy, Bank of International Settlements; 2018 estimates based on average post-GFC growth rates

Shadow Bank Assets as % GDP at Record Highs

Exhibit 31: Shadow bank assets as % GDP at record highs



Source: BofA Merrill Lynch Global Investment Strategy, Bank of International Settlements; 2018 estimates based on average post-GFC growth rates

THANK YOU

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