

Cromwell announces Placement and Acquisition for new syndicate

- Placement of Cromwell Property Group (Cromwell) stapled securities (New Securities) to raise approximately \$28 million at \$0.68 per New Security (Placement)
- Acquisition of land on which the 'Ipswich City Heart' office complex will be developed for \$5 million (Acquisition)
- Syndication of Ipswich City Heart (completion value of approximately \$93 million¹)
- Cromwell has arranged a debt facility and will provide seed funding for the Syndicate until all Syndicate equity is raised:
 - \$49 million credit approved three year Syndicate debt facility secured against Ipswich City Heart
 - Placement proceeds to be utilised to provide initial funding for the Acquisition
 - Any balance required will be provided by Cromwell from working capital and undrawn debt facilities
- FY12 earnings expected to be at least in line with previous guidance of 7.3 cents
- FY12 distributions expected to remain at 7.0 cents
- Pro forma NTA unchanged at \$0.73 per security following the Acquisition and Placement
- Pro forma gearing² expected to remain at 49%, following the Acquisition, Placement and Syndicate equity raising
- Transaction expected to enhance funds management returns to Cromwell and provide working capital to undertake similar transactions in the future
- Cromwell remains in discussions with Leighton Properties about the possible acquisition of the 'HQ North' office tower in Fortitude Valley, Brisbane

Cromwell Property Group (ASX code: CMW) today announced the Placement of approximately \$28 million at \$0.68 per New Security (Placement).

The proceeds of the Placement, net of costs, will be used initially to provide seed funding to the Syndicate so that it can undertake the Acquisition and fund construction costs for Ipswich City Heart if necessary as the Syndicate equity raising is being completed. Once the Syndicate equity raising is completed and any seed funding returned, the funds will then be available to Cromwell and may be utilised to support similar transactions in the future.

Cromwell expects to launch the Ipswich City Heart Syndicate in late November 2011 and to commence the Syndicate equity raising immediately thereafter.

¹ Completion value including land is expected to be between \$92 million and \$94 million based on final net lettable area and outgoings.

² In this announcement, all pro forma financial data gives effect to the Acquisition, Placement and equity raising for the Syndicate as though they had occurred on 30 June 2011. Gearing is defined as (total borrowings less cash) / (total tangible assets less cash).

Cromwell CEO, Paul Weightman said, "the asset is of a high quality and its acquisition represents an opportunity for Cromwell to increase the scale of Cromwell's funds management platform and to then recycle that capital into other similar transactions."

Further information in relation to the Acquisition, the syndication of the 'Ipswich City Heart' asset and the effect that these matters and the Placement will have on Cromwell's financial position and performance can be found in the presentation given to ASX by Cromwell today.

Details of the Placement

Cromwell has agreed terms with a new South African institutional investor for the placement of approximately 41 million fully paid New Securities at the Issue Price raising approximately \$28 million.

The Issue Price of \$0.68 per New Security represents a premium of 5% to the closing price of Cromwell stapled securities on 10 November 2011, the last trading day before the announcement of the Placement and a 4% premium to the 5-day volume weighted average price of existing Cromwell stapled securities on ASX between 4 November and 10 November 2011 of \$0.652.

New Securities issued under the Placement will rank equally with existing Cromwell stapled securities except that they will have a pro rata entitlement to the December 2011 quarterly distribution.

The Acquisition

The Acquisition involves the purchase by the Syndicate of the 'Ipswich City Heart' site in Ipswich, Queensland from a wholly owned subsidiary of the Ipswich City Council for \$5 million. Construction of the Ipswich City Heart office complex on the site is due to commence shortly and the asset is expected to be completed in September 2013³. The complex is being developed by a wholly owned subsidiary of ASX listed contract engineering and construction company Leighton Holdings Limited (ASX: LEI) (Leighton), with the total purchase price of approximately \$93 million⁴ payable progressively as construction is completed.

The Ipswich City Heart asset will be held by a newly formed unlisted property syndicate, to be managed by Cromwell. Cromwell aims to raise approximately \$49 million in equity for the syndicate through its retail distribution network over the next 6-8 months.

Cromwell remains in discussions with Leighton regarding the possible acquisition of the recently completed 'HQ North' office tower in Fortitude Valley, Brisbane. Those discussions are incomplete and ongoing, and there is no certainty that any transaction will occur. Financial and other information in this announcement does not include the impact of any potential transaction on HQ North.

³ As noted above, in connection with the acquisition of the 'Ipswich City Heart' office complex, Cromwell expects launch a new unlisted retail syndicate in late November 2011 to hold the asset, with the syndicate's fund raising expected to occur over 6-8 months following its launch.

⁴ Completion value including land is expected to be between \$92 million and \$94 million based on final net lettable area and outgoings.

Financial impact

Whilst the Acquisition represents a prime opportunity for Cromwell to increase the scale of its funds management platform, the boards of Cromwell consider it important to balance the requirements of existing and new securityholders.

As a result, the Issue Price for New Securities to be issued under the Placement has been set at a level which is close as possible to the underlying net asset value of Cromwell's assets (last reported at \$0.73 per stapled security as at 30 June 2011) and is not expected to be dilutive to either NTA or FY12 operating earnings. This is consistent with previous offers over the past 2 years.

Operating earnings guidance for the 2012 financial year remains unchanged at approximately 7.3 cents per stapled security. However, it could increase above this amount, depending on the timing of recognition of fee income for the Syndicate. Distributions for FY12 are expected to be unchanged at 7.0 cents per stapled security.

Gearing is expected to be unchanged at 49% following the Acquisition, Placement and completion of the Syndicate equity raising.

Indicative timetable

Settlement of Placement	11 November 2011
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Allotment of Placement stapled securities	15 November 2011
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Note: All times and dates in this announcement refer to Australian Eastern Daylight Time (AEDT)

Cromwell reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws and rules, to vary the dates of the Placement without notice.

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