

ASX Announcement

2 February 2016



Moody's rating

Cromwell Property Group (ASX: CMW) (**Cromwell**) announces that Moody's Investors Service (**Moody's**) has assigned a senior secured rating of Baa2 to Cromwell's fully drawn, senior secured bank facilities of around AUD900 million, senior secured Baa2 rating to bank facilities (Tuggeranong) of around AUD200 million and senior unsecured Baa3 rating to convertible bonds of EUR150 million. Moody's has also assigned Cromwell a senior unsecured issuer rating of Baa3.

Attached is Moody's announcement regarding the ratings.

Cromwell's CEO, Paul Weightman, commented:

"Capital management is an integral part of Cromwell's risk management framework. The securing of the Moody's rating is consistent with our capital management strategy and follows the establishment of our secured debt platform in May 2014. The platform and the rating will provide Cromwell with the additional flexibility required to fund its future growth and continue to diversify its sources of funding."

ENDS.

Media Enquiries:

Paul Weightman

Managing Director/CEO

+61 411 111 028

paul.weightman@cromwell.com.au

About Cromwell Property Group

Cromwell Property Group (ASX:CMW) is a Global Real Estate Investment Manager. The Group is included in the S&P/ASX200. As at 30 June 2015 Cromwell had a market capitalisation in excess of \$1.8 billion, a direct property investment portfolio in Australia valued at \$2.1 billion, and total assets under management and investment capacity of \$11.9 billion across Australia, New Zealand and Europe.

Rating Action: Moody's assigns first-time Baa2 senior secured rating and Baa3 senior unsecured rating to Cromwell Property Group; outlook stable

Global Credit Research - 02 Feb 2016

Sydney, February 02, 2016 -- Moody's Investors Service has assigned a senior secured rating of Baa2 to Cromwell Property Group's senior secured syndicated bank facilities of around AUD900 million which are all fully drawn, senior secured rating of Baa2 to bank facilities (Tuggeranong) of around AUD200 million, senior unsecured rating of Baa3 to the EUR150m convertible bonds and issuer rating of Baa3.

The outlook on the ratings is stable.

The following ratings are assigned:

Cromwell Property Group: Issuer rating of Baa3

CDPT Finance Pty Ltd: AUD900 million Senior secured syndicated bank facilities of Baa2

Cromwell Property Securities Limited: AUD200 million Senior secured bank facilities (Tuggeranong) of Baa2

Cromwell SPV Finance Pty Ltd: EUR150 million Senior unsecured convertible bonds rating of Baa3

Cromwell is an Australian-based REIT with a property portfolio of around AUD2.2 billion and comprising predominantly office properties.

The group also operates in the property funds management business in Europe, Australia and New Zealand with total assets under management of around AUD11.9 billion.

This is the first time that Moody's has assigned ratings to Cromwell.

RATINGS RATIONALE

"The Baa2 senior secured debt rating, Baa3 issuer rating and Baa3 senior unsecured convertible bond rating reflects Cromwell's underlying operating profile and the quality of its portfolio of assets, which is at the lower end of Moody's-rated A-REITs, but balanced by satisfactory occupancy rates, a relatively long weighted average lease expiry and sustainable rental income generated by its core portfolio," says Maurice O'Connell, a Moody's Vice President and Senior Credit Officer.

"At the same time, the ratings takes into consideration Cromwell's track record -- under its existing management team -- of successfully managing risk through the property cycle", says O'Connell, adding, "this includes Cromwell's track record of a disciplined approach towards asset recycling, which is expected to improve the quality of the portfolio."

"The ratings is also constrained by Cromwell's higher financial leverage and a degree of exposure to lease expiry risks in Queensland and Canberra, where vacancy rates are high, although its active approach to portfolio management will help alleviate some risk over time," says O'Connell.

Cromwell's ratings also reflects the nature of its funds management business, which is seen as low risk and a complement to its active asset strategy, thereby smoothing out the peaks and troughs of the property cycle.

The company also has a moderate ongoing development program, which is focused on lower risk refurbishments, and large scale developments are only undertaken on a build-to-suit basis, backed by committed long leases.

Cromwell has a moderate financial profile, where financial leverage -- as measured by net debt/EBITDA -- is expected to remain between 5.0x and 6.0x and EBITDA/interest around 3.5x over the next 2-3 years.

While this level of financial leverage is high for its rating, Moody's expects Cromwell will remain within the parameters set for the rating, despite a wide internal gearing range of 35-55%. Gearing close to the top of that range will likely pressure the tolerance levels set for the rating.

Cromwell has an adequate liquidity profile. Although it has no undrawn facilities, it maintains significant cash on hand at all times, including enough to fully repay any maturities within a year. It also maintains liquidity discipline by aiming not to have any debt maturities falling within two years.

Upward pressure on the ratings is unlikely in the short to medium term, at least until Cromwell has demonstrated a consistent track record and profile in line with a higher rating through an economic cycle.

On the other hand, the ratings may experience downward pressure if Cromwell's credit metrics deteriorate, such that look-through net debt/EBITDA exceeds 6.0x and look-through fixed cover charge falls below 3.0x.

The ratings could also face downward pressure if a deterioration in general market conditions coincided with rising vacancies and/or gearing exceeds 50%.

At the same time, downward pressure could evolve if Cromwell's liquidity profile deteriorated, evidenced by cash and undrawn lines falling below the amount of facilities maturing within a period of 18 months.

The principal methodology used in these ratings was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Ratings Methodologies page on www.moody.com for a copy of this methodology.

Cromwell Property Group is an Australian Securities Exchange (ASX) listed A-REIT (Code: CMW). It operates across both active and passive property investment, funds management and development. It has a stapled entity structure, comprising Cromwell Corporation Limited and Cromwell Diversified Property Trust. The group owns and manages over 25 properties across Australia.

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Maurice O'Connell
VP - Senior Credit Officer
Corporate Finance Group
Moody's Investors Service Pty. Ltd.
Level 10
1 O'Connell Street
Sydney NSW 2000
Australia
JOURNALISTS: (612) 9270-8102

SUBSCRIBERS: (852) 3551-3077

Patrick Winsbury
Associate Managing Director
Corporate Finance Group
JOURNALISTS: (612) 9270-8102
SUBSCRIBERS: (852) 3551-3077

Releasing Office:
Moody's Investors Service Pty. Ltd.
Level 10
1 O'Connell Street
Sydney NSW 2000
Australia
JOURNALISTS: (612) 9270-8102
SUBSCRIBERS: (852) 3551-3077



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