

## PRESS RELEASE

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# AEW UK REIT acquires industrial units in Basildon and Runcorn

AEW UK REIT plc (LSE: AEWU) (the “Company”), which owns a diversified portfolio of 31 regional UK commercial property assets, announces the acquisition of industrial assets in Basildon, Essex and Runcorn, Cheshire, for a total of c £2.6 million.

Basildon comprises a 33,000 sq ft single-let industrial building located on the established Pippis Hill Industrial Estate, just off the A127, approximately five miles from Junction 29 of the M25. The purchase price of £2.0 million reflects an attractive net initial yield of 9.3%, a reversionary yield of 8.8% and a low capital value of £64 per sq ft. The building will be let on a new 10 year lease to Merson Signs Ltd, at a passing rent of £6 per sq ft.

The Runcorn asset, which shows an initial yield of 7.8%, completes the Company’s acquisition of the whole of the Sarus Court industrial estate, where the Company already owned five of the six units. The estate provides well specified, modern industrial units of between 11,000 and 17,000 sq ft, which are let to a number of light-industrial occupiers on a WAULT of over 4 years. The newly acquired unit, which is let to Dimension Data until 2020, offers significant reversionary potential, with a passing rent of £4.50 per sq ft which is more than 15% lower than a recent Sarus Court letting secured by AEW UK at £5.25 per sq ft.

Sarus Court forms part of the wider Manor Park industrial estate, strategically located to the west of Runcorn and five kilometers from the Mersey Gateway Project, a new six lane bridge over the River Mersey connecting the towns of Runcorn and Widnes and linking the M56 to M62. The project is due for completion in autumn 2017.

In order to complete the transactions, the Company utilised funds gained from the sale of its asset on the Equinox Business Park in Salisbury, which completed in February, together with an additional £1.5 million which has been drawn down from its existing loan arrangement with lender RBSi which has seen the Company’s gearing position increase from a loan to value ratio of 18.7%, to 19.8%.

Commenting on the acquisitions, Alex Short, the Company’s Portfolio Manager at AEW UK Investment Management LLP, said, “We are pleased to add two more high yielding acquisitions to the portfolio, in a defensive sector that has continued to out-perform other parts of the commercial real estate market.

“Basildon is a very strong industrial location that has seen significant rental growth over the past 18 months. The unbroken 10 year lease will improve the Company’s overall income profile; furthermore we believe that the acquisition pricing is well supported by the asset’s underlying vacant possession value, limiting any downside risk.

“The Runcorn purchase offers significant rental upside, whilst bringing the whole estate under the Company’s ownership, which will add value from an estate management perspective. The off-market acquisition demonstrates our continued origination capabilities across the UK.”

## ABOUT AEW UK REIT

AEW UK REIT plc (LSE: AEWU) aims to deliver an attractive total return to shareholders by investing predominantly in smaller commercial properties (typically less than £10 million), on shorter occupational leases, in strong commercial locations across the United Kingdom. The Company was listed on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 12 May 2015, raising £100.5m. Since IPO it has raised a further £23m.

Since its IPO in May 2015, AEWU has invested a total of £133 million across 29 regional commercial property assets and has a £7.7 million investment in AEW UK's Core Property Fund. It is currently invested in office, retail, industrial and leisure assets, with a focus on active asset management, repositioning the properties and improving the quality of the income stream. Whilst occupational demand in strategic locations remains, securing tenants on shorter leases allows AEWU to crystallise value through rent reviews and lease re-gears.

AEWU is currently paying a dividend of 8p per share p.a. and targets a total annual return, over the medium term, in excess of 12% on the IPO issue price, net of all fees.

Real estate investment specialist AEW UK Investment Management LLP is a joint venture between the management team, which together has an average of 25 years of real estate experience, and AEW Europe, which has €19.1 billion of real estate assets under management. AEW UK Investment Management LLP has a strong and expert asset management team, with a proven record of identifying and delivering value from real estate assets across all sectors.

[www.aewukreit.com](http://www.aewukreit.com)

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