

Fund Highlights

- Like-for-like independent property valuation increase over the quarter of 0.85%.
- NAV of £118.68 million or 95.98 pence per share.
- Dividend of 2.0 pence per share announced for the quarter ending 30 April 2017.
- Acquisitions totalling c £7.2m in Basildon and Runcorn.

Investment Strategy

The Company exploits what it believes to be the compelling relative value opportunities offered by pricing inefficiencies in smaller commercial properties let on shorter occupational leases in strong commercial locations. The Company intends to supplement this core strategy with active asset management initiatives to improve the quality of income streams and maximise value.

Who we are

AEW UK REIT plc (the "Company") is a Real Estate Investment Trust established in May 2015. The Company is listed on the premium listing segment of the Official List of the UK Listing Authority and the shares are traded on the Main Market of the London Stock Exchange.

The assets of the Company are managed by AEW UK Investment Management LLP ("AEW UK"). The AEW UK Management Team are an experienced team with an average of 18 years working together and manage funds and separate accounts totalling over £1bn. The team is a market leading asset manager of value add assets with a strong track record in which the team brings an institutional asset management approach to more active value add assets.

Alex Short, Portfolio Manager commented, "For the second quarter in a row MSCI data showed that the market has started to regain the value it lost in the immediate aftermath of the Brexit vote, and this is evidenced by our own valuation growth of nearly 1% over the quarter.

"The Company's portfolio is reaching maturity following its initial launch in May 2015 and it is now well diversified with 30 well located, direct assets. As a result, the Company has paid its 2.0p per quarter dividend, its stated strategy at IPO, for each of the last five quarters. We have completed the sale of the Company's holding in the Core Fund and proceeds have been reallocated to direct property investments. In addition, we are likely to sell a directly held asset in the forthcoming quarter where asset management initiatives have added approximately 60% to its value over the hold period, demonstrating our ability to not only transact but also extract significant value from value-add assets.

"In the strong regional centres where we focus the Company's investment activities we still see robust tenant demand, with a number of asset management deals adding to the Company's rental income during the quarter. The Company's vacancy rate is currently 7.22%, down from 9.01% in January 2017, following the sale of Castlegate, Salisbury, and with further space under offer to let, we anticipate further reductions in the void rate in the near future.

"The Company's share price for the quarter has been maintained at a premium to NAV and the team are focussed on growing the REIT to take advantage of our attractive investment pipeline and to provide enhanced liquidity to the Company's shareholders."

Investment Acquisitions 1 February 2017–30 April 2017 and post period end

Apollo Business Park, Basildon

In April, the Company acquired a 69,000 sq ft multi-let industrial building in Basildon, Essex, for £4.55 million, reflecting an attractive Net Initial Yield of 7.8% and a capital value of £66 per sq ft.

The warehouse, which is located within the established Cranes Farm Industrial area, is fully let to four tenants and provides a WAULT of just under four years to lease breaks and six years to expiry. The current lettings show an average passing rent of £5.50 per sq ft which is below the local market average and as such, the building presents an opportunity for near-term rental income uplift through asset management.

1 Bentalls, Pippas Hill Industrial Estate, Basildon

In April, the Company acquired a 33,000 sq ft single-let industrial building located on the established Pippas Hill Industrial Estate, just off the A127, providing good access to the M25. The purchase price of £2.0 million reflects an attractive net initial yield of 9.3% and a low capital value of £64 per sq ft. The building will be let on a new 10 year lease at a passing rent of £6 per sq ft. The unbroken 10 year lease will improve the Company's overall income profile; and furthermore acquisition pricing is well supported by the asset's underlying vacant possession value, limiting any downside risk.

Unit 1005, Sarus Court, Runcorn

Post quarter end in May, the Company acquired Unit 1005 Sarus Court which completes the Company's acquisition of the whole of the Sarus Court industrial estate, where the Company already owned five of the six units following acquisitions in 2015. The estate provides well specified, modern industrial units with a WAULT of over 4 years. Sarus Court lies five kilometres 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 the M62. The project is due for completion in Autumn 2017.



The newly acquired unit offers reversionary potential, with a passing rent of £4.50 per sq ft which is more than 15% lower than a recent letting at 1003 Sarus Court secured by AEW UK at £5.25 per sq ft.

AEW UK Core Property Fund Investment

In May, the Company announced the sale of its remaining units in the AEW UK Core Property Fund for total proceeds of £7.62 million. The Company has held units in the Core Fund since launch in May 2015 for the purpose of expediting its investment period and saw a total return of 13% over the hold period. The units have now been sold at a price in excess of the Core Fund's latest published NAV, with the proceeds being used to fund direct investments in the portfolio.

Fund Facts

as at 30 April 2017

Portfolio Manager
Alex Short

Investment Objective and Strategy

The investment objective of the Company is to deliver an attractive total return to Shareholders from investing predominantly in a portfolio of smaller commercial properties let on shorter occupational leases in strong commercial locations across the United Kingdom. The Company will undertake active asset management to improve the quality of income streams and maximise value.

Launch date: 12 May 2015

Fund structure: UK Real Estate Investment Trust

Year end: 30 April

Fund size (Net Asset Value): £118.68m

Property valuation: £137.82m

Number of properties held: 30

Average lot size: £4.75m

Property portfolio net initial yield (% p.a.): 7.63%

Property portfolio reversionary yield: 8.37%

LTV (Gross Asset Value): 19.9%

Average weighted unexpired lease term

To break: 5.22 years

To expiry: 6.37 years

Occupancy: 92.8%* * As a % of ERV

Number of tenants: 79

Share price as at 30 Apr: 99.56

NAV per share: 95.98

Premium/(discount) to NAV: 3.72%

Shares in issue: 123.65m

Market capitalisation: £123.11m

Annual management charge

0.9% per annum of invested NAV

Dividends

The Company pays dividends on a quarterly basis with dividends declared in February, May, August and November in each year and paid within one month of being declared.

The Company targets a dividend yield of between 8–9% per annum on the IPO issue price of 100p per share and targets a total annual return, over the medium term, in excess of 12% on the IPO issue price, net of all fees.¹

Dividends of 2.0 pence have been declared for the period from 1 February 2017 to 30 April 2017.

ISIN: GB00BWD24154

Ticker: AEWU

SEDOL: BWD2415

Broker: Fidante Capital

Asset Management Updates

Unit 1003, Sarus Court, Runcorn

The Company achieved a simultaneous surrender and letting at Unit 1003 Sarus Court to a group company of an existing tenant on the estate. The transaction, agreed at £5.25 per sq ft, not only increased the length of income at the unit by 3 years but was agreed above ERV of £5 per sq ft and without any void period. The new passing rent is also 15% ahead of the passing rent at the newly acquired Unit 1005 at Sarus Court providing evidence for future rental growth here.

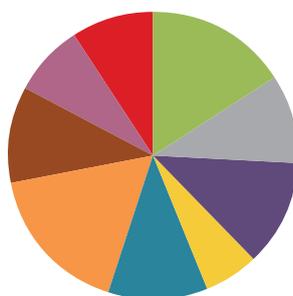
Queen Square, Bristol

The Company has secured a letting of over 5,000 sq ft of ground floor office space on a 10 year lease with a tenant break option at year five, achieved a rental level that is £1.50 per sq ft ahead of the expected ERV at the time of purchase in December 2015. The building has demonstrated very robust occupational performance since acquisition with vacancy

levels reduced from 46% at acquisition to the current level of 5%. This highlights the strength of both the Bristol office market as a whole, but also the prime nature of this micro- location, which is much sought after by financial and professional services occupiers.

Pearl House, Nottingham

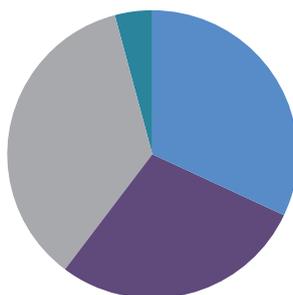
The Company received consent for the change of use from office to 36 residential flats under Permitted Development Rights (PDR) on the upper floors at Pearl House, Wheeler Gate which is centrally located within the City and located just a short walk away from the mainline railway station. The company intends however, to keep the building in its current use as offices for the foreseeable future and as such signed a letting of the entire third floor with tenant The Press Association for 5 years showing a rent of £13.78 per sq ft against an ERV of c £12 per sq ft when the property was acquired in May last year.



Portfolio Locations

South East	16%
Eastern	10%
West Midlands	12%
East Midlands	6%
North West	11%
Yorkshire & Humber	17%
South West	11%
Northern Ireland	8%
Scotland	9%

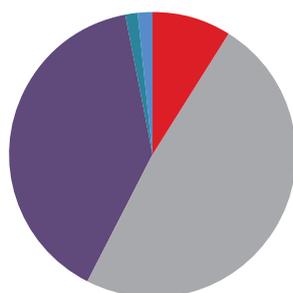
As a percentage of portfolio (excluding cash).



Sector Weightings

Offices	32.2%
Retail	28.4%
Industrial	35.4%
Other	4.1%

Based upon Knight Frank valuation 30 April 2017. As a percentage of portfolio (excluding cash).



Tenant Exposure

Top 20 Tenants – Risk of Business Failure

Government Body	8.9%
Minimal risk	48.8%
Lower than average risk	39.2%
Greater than average risk	1.4%
Undeterminable risk	1.6%

60% of Portfolio Income represented by Top 20 Tenants by income per annum. Source: www.dnb.co.uk. Based on D&B Risk Assessment Risk Indicator. "The D&B Rating provides a quick and clear indication of the credit-worthiness of an organisation, which helps you to identify profitable opportunities for growth, and risks that could affect bad debt and cashflow." Excluding the AEW UK Core Property Fund.

	Location	Sector	Value Band £m	WAULT to break/ expiry
Acquired properties to 30 April 2017*				
NCRC	Swinton	Industrial	0–2	6.3/6.3
NCRC	Mossley	Industrial	0–2	6.3/6.3
NCRC	Milton Keynes	Industrial	0–2	6.3/6.3
Cleaver House, Sarus Court	Runcorn	Industrial	0–2	0.9/3.9
Pipps Hill Industrial Estate	Basildon	Industrial	0–2	10/10
Stoneferry Retail Park	Hull	Retail	2–4	4.8/4.8
710 Brightside Lane	Sheffield	Industrial	2–4	8.0/13.0
Vantage Point	Hemel Hempstead	Office	2–4	5.4/7.4
Sarus Court	Runcorn	Industrial	2–4	3.7/4.4
Brockhurst Crescent	Walsall	Industrial	2–4	4.9/4.9
Barbot Hall Industrial Estate	Rotherham	Industrial	2–4	1.7/1.7
Cranbourne House	Basingstoke	Industrial	2–4	2.7/2.7
Lea Green Industrial Estate	St Helens	Industrial	2–4	8.4/8.4
Eagle Road	Redditch	Industrial	2–4	11.3/11.3
Sandford House	Solihull	Office	4–6	2.7/2.7
Fargate	Sheffield	Retail	4–6	4.3/7.0
Langthwaite Business Park	South Kirkby	Industrial	4–6	0.3/0.5
Odeon	Southend on Sea	Leisure	4–6	5.4/5.4
Oak Park	Droitwich	Industrial	4–6	5.5/5.5
Bank Hey Street	Blackpool	Retail	4–6	6.7/9.2
Euroway Trading Estate	Bradford	Industrial	4–6	7.6/7.6
Apollo Business Park	Basildon	Industrial	4–6	3.4/5.8
Barnstaple Retail Park	Barnstaple	Retail	6–8	6.9/6.9
Eastpoint Business Park	Oxford	Office	8–10	6.5/9.5
69–75 Above Bar Street	Southampton	Retail	8–10	4.2/4.2
40 Queen Square	Bristol	Office	8–10	3.1/4.9
Wheeler Gate	Nottingham	Office	8–10	5.1/5.6
Valley Retail Park	Belfast	Retail	10–12	9.5/12.1
225 Bath Street	Glasgow	Office	12–14	3.2/5.9

*Figures as at Knight Frank Valuation 30 April 2017.

For further information on each of our properties, please visit www.aewukreit.com.

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¹ Investors should note that the figures in relation to dividends and total returns set out in this document are for illustrative purposes only, are based on current market conditions and are not intended to be, and should not be taken as, a profit forecast or estimate. Actual returns cannot be predicted and may differ materially from these illustrative figures. There can be no assurance that they will be met or that any dividend or total return will be achieved. Target returns do not form part of the Company's investment objective or investment policy.

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