

Fund Highlights

- Continued resilience seen across most parts of the commercial property market.
- Independent valuation of the property portfolio increased on a like-for-like basis by 0.98% over the quarter.
- NAV of £118.24 million or 95.62 pence per share.
- Third interim dividend of 2.0 pence per share announced.
- Acquisition of logistics warehouse in Bradford for £4.95 million, providing potential for rental growth going forward.



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, "We continue to see resilience across the commercial property market and are encouraged by a slightly more optimistic economic outlook, with the Bank of England raising its GDP forecast for the coming year to 2%. MSCI data showed that by the end of last year all main sectors had started to regain their falls in valuation, supported by our own valuation growth of nearly 1% over the quarter.

"We are pleased by the continued growth of the Company with the issue of new equity during the second half of last year enabling the acquisition of a logistics warehouse located just off the M606 in Bradford. This property benefits from its accessible location, low passing rent and lack of surrounding supply, which all offer the potential for significant rental growth moving forward.

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.

"Continued strong tenant demand for space across our portfolio is demonstrated at the Company's Bristol Queen Square office, where we have achieved a rent review settlement 25% above ERV. Despite overall vacancy levels across the portfolio increasing very slightly to 9%, this will fall to 7% following the contracted sale of Salisbury later this month. Further to this, we are encouraged to see that 30% of the remaining vacancy is under offer.

"The part sale of the Company's holding in the AEW UK Core Property Fund completed in early February and we now have capital available for further investment. We continue to focus our origination efforts in locations that exhibit low levels of supply, with a particular focus on industrial premises, which we will look to acquire at prices close to vacant possession value and which will therefore be less vulnerable to capital erosion. We have a strong pipeline of assets under consideration and look forward to updating the market in respect of further acquisitions in due course."

Investment Acquisitions 1 November 2016–31 January 2017

Euroway, Bradford

In December, the Company acquired a c. 144,000 sq ft logistics warehouse in Bradford for £4.95 million, reflecting a Net Initial Yield of 8.1%, reversionary yield of 8.9% and a capital value of £34 per sq ft. The warehouse, which is located on the established Euroway Trading Estate, is let to Advanced Supply Chain on an eight year lease, at a low passing rent of £2.98 per sq ft, providing opportunities for future income growth. The site is strategically located near Junction 2 of the M606 and is close to the major conurbations of both Leeds and Manchester, while also providing good access to the M1. A number of distribution operators are located on the Euroway Estate, highlighting the strength of the location, including Marks and Spencer, whose 1.1 million sq ft regional distribution warehouse facility is located directly adjacent.



AEW UK Core Property Fund Investment

The valuation of AEW UK Core Property Fund ("Core Fund") holding increased over the period to £9.40 million (31 October 2016: £9.33 million). On 1 February 2017, the Company sold 1.68m units (representing 20.9%) of its holding for a consideration of £1.99m. The Company intends to dispose of the remainder of the holding in the near term in order to free up proceeds to invest directly in its strong pipeline of high-yielding properties.

Fund Facts

as at 31 January 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): £118.24m

Property valuation: £141.47m (of which £9.40m is represented by AEW UK Core Property Fund)

Number of properties held: 28

Average lot size: £4.7m

Property portfolio net initial yield (% p.a.): 7.47%

Property portfolio reversionary yield: 8.50%

LTV (Gross Asset Value): 19.4%

Average weighted unexpired lease term

To break: 5.38 years

To expiry: 6.52 years

Occupancy: 91.0%*

* As a % of ERV

Number of tenants: 77

Share price as at 31 Jan: 94.00

NAV per share: 95.62

Premium/(discount) to NAV: (1.69%)

Shares in issue: 123.65m

Market capitalisation: £116.23m

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 31 October 2016 to 31 January 2017.

ISIN: GB00BWD24154

Ticker: AEWU

SEDOL: BWD2415

Broker: Fidante Capital

Asset Management Updates

Castlegate Business Park, Salisbury

Following the departure of the previous tenant in September due to a dispute with a neighbouring land owner, the unconditional sale of the property to an owner occupier has now completed. The sale price of £2.05m will exceed both the current valuation level and also the original acquisition price of the asset.

Eastpoint Business Park, Oxford

At Meridian House the Company has agreed a lease renewal on a 5,600 sq ft suite with the existing tenant Carrier Refrigeration. The new lease provides three years of additional income at a rent of £14.50 psf in line with ERV expectations.

Barnstaple Retail Park, Barnstaple

Major tenant Sports Direct did not exercise its break option in October 2016 and is now contracted to remain in occupation for a further six years until late 2022.

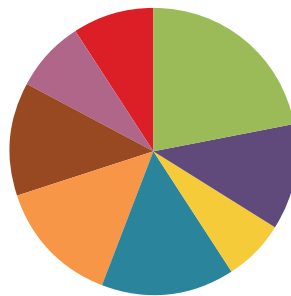
Valley Retail Park, Belfast

Planning consent has been granted for the development of two restaurant pods within the

existing car park fronting Church Road, the main arterial route. The Company will seek occupiers for the units which would be developed as tenants are found and pre-let agreements put in place ensuring that any development would be accretive to both income and value. The addition of leisure units to the park would be expected not only to increase overall visitor numbers but improve dwell times on the park, leading to greater potential for rental growth.

Queen Square, Bristol

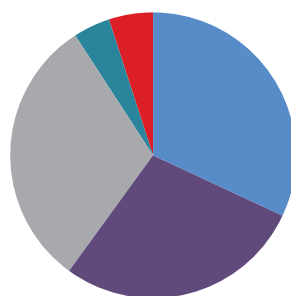
We have obtained an increase in the passing rent at review with the tenant. The newly agreed rent averages £83,440 pa over the next five years showing a rate of £21.40 per sq ft against an ERV of £17 per sq ft and equating to an uplift of 25% for this unrefurbished space. We are hopeful that this review will have a positive effect on the ERV level across the building which has seen vacancy decrease from 46% to 20% during the Company's ownership since December 2015.



Portfolio Locations

South East	22%
West Midlands	12%
East Midlands	7%
North West	15%
Yorkshire & Humber	14%
South West	13%
Northern Ireland	8%
Scotland	9%

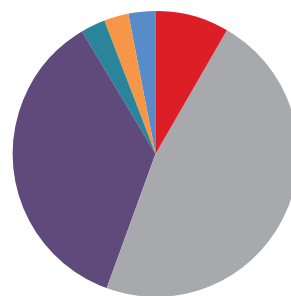
As a percentage of portfolio (excluding cash and the AEW UK Core Property Fund).



Sector Weightings

Offices	32%
Retail	28%
Industrial	31%
Other	4%
AEW UK Core Property Fund	5%

Based upon Knight Frank valuation 31 January 2017. As a percentage of portfolio (excluding cash).



Tenant Exposure

Top 20 Tenants – Risk of Business Failure

Government Body	8%
Minimal risk	47%
Lower than average risk	36%
Greater than average risk	3%
High risk	3%
Undeterminable risk	3%

65% 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 31 January 2017*				
Eagle Road	Redditch	Industrial	0–2	11.5/11.5
NCRC	Swinton	Industrial	0–2	6.5/6.5
NCRC	Mossley	Industrial	0–2	6.5/6.5
NCRC	Milton Keynes	Industrial	0–2	6.5/6.5
Castle Business Park	Salisbury	Industrial	0–2	0/0
Cleaver House, Sarus Court	Runcorn	Industrial	0–2	1.2/4.2
Stoneferry Retail Park	Hull	Retail	2–4	5.0/5.0
710 Brightside Lane	Sheffield	Industrial	2–4	8.2/13.2
Vantage Point	Hemel Hempstead	Office	2–4	3.3/7.7
Sarus Court	Runcorn	Industrial	2–4	3.2/4.6
Brockhurst Crescent	Walsall	Industrial	2–4	5.2/5.2
Barbot Hall Industrial Estate	Rotherham	Industrial	2–4	1.9/1.9
Cranbourne House	Basingstoke	Industrial	2–4	2.9/2.9
Lea Green Industrial Estate	St Helens	Industrial	2–4	8.7/8.7
Sandford House	Solihull	Office	4–6	2.9/2.9
Fargate	Sheffield	Retail	4–6	4.6/7.3
Langthwaite Business Park	South Kirkby	Industrial	4–6	0.4/0.8
Odeon	Southend on Sea	Leisure	4–6	5.7/5.7
Oak Park	Droitwich	Industrial	4–6	5.8/5.8
Bank Hey Street	Blackpool	Retail	4–6	7.0/9.5
Euroway Trading Estate	Bradford	Industrial	4–6	7.9/7.9
Barnstaple Retail Park	Barnstaple	Retail	6–8	7.2/7.2
Eastpoint Business Park	Oxford	Office	8–10	7.2/9.8
69–75 Above Bar Street	Southampton	Retail	8–10	4.5/4.5
40 Queen Square	Bristol	Office	8–10	3.2/5.1
Wheeler Gate	Nottingham	Office	8–10	5.4/5.9
Valley Retail Park	Belfast	Retail	10–12	9.8/12.4
225 Bath Street	Glasgow	Office	12–14	3.4/6.1
AEW UK Core Property Fund			8–10	4.9/6.1

*Figures as at Knight Frank Valuation 31 January 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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