

Quarterly Update

Q1 18

Fund Facts

Portfolio Manager
Alex Short



Investment Objective and 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 supplements this core strategy with active asset management initiatives to improve the quality of income streams and maximise value.

Launch date: 12 May 2015

Fund structure: UK Real Estate Investment Trust

Year end: 31 March

Fund size (Net Asset Value): £146.0m

Property valuation: £192.3m

Number of properties held: 36

Average lot size: £5.34m

Property portfolio net initial yield (% p.a.): 7.74%

Property portfolio reversionary yield: 8.03%

LTV (Gross Asset Value): 26.0%

Average weighted unexpired lease term

To break: 5.08 years **To expiry:** 6.30 years

Occupancy: 92.90%* * As a % of ERV

Number of tenants: 104

Share price as at 31 Mar: 95.60p

NAV per share: 96.36p **Premium/(discount) to NAV:** (0.79%)

Shares in issue: 151.56m

Market capitalisation: £144.89m

Annual management charge: 0.9% per annum of invested NAV

Dividend target

The Directors will declare dividends taking into account the level of the Company's net income and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend, which is 8 pence per Share. Based on the current market conditions as at the date of this Registration Document, the Company expects to pay an annualised dividend of 8 pence per Share in respect of the financial period ending 31 March 2019 and for the interim financial period to 30 September 2018.

ISIN: GB00BWD24154 **Broker:** Liberum

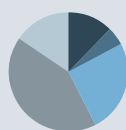
Ticker: AEWU **SEDOL:** BWD2415

AEW UK REIT plc invests in and intensively asset manages a diversified portfolio of small, high yielding commercial properties across the UK.

Fund Highlights

- At 31 March 2018, the fair value independent valuation of the property portfolio was £192.34 million (31 December 2017: £151.59 million), following five acquisitions during the period totalling £40.02 million. On a like-for-like basis the valuation of the property portfolio increased by £0.74 million (0.48%) over the quarter (two months to 31 December 2017: £0.70 million and 0.47%).
- NAV of £146.03 million or 96.36 pence per share (31 December 2017: £147.34 million or 97.21 pence per share). This decrease is largely due to purchase costs totalling £2.35 million relating to the acquisition of five properties during the quarter. Excluding purchase costs, the NAV would have increased by £1.04 million to £148.38 million or 97.91 pence per share.
- EPRA earnings per share ("EPRA EPS") for the quarter of 1.76 pence per share (two months to 31 December 2017: 1.09 pence per share).
- The Company has announced an interim dividend of 2.00 pence per share for the three months ended 31 March 2018.
- NAV total return of 0.50% for the three months ended 31 March 2018.
- The Company remains conservatively geared with a gross loan to value ratio of 26.00% (31 December 2017: 21.44%). During the quarter, the Company increased its loan facility with the Royal Bank of Scotland International Limited ('RBSi') from £40.00 million to £60.00 million and made drawdowns totalling £17.50 million, increasing the total debt drawn to £50.00 million as at 31 March 2018.
- At 31 March 2018, the Company held £3.57 million cash for investment and on 5 April 2018 completed the sale of the Floors 1-9, Pearl House, Nottingham, for gross proceeds of £3.65 million.

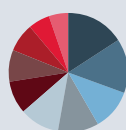
Sector Weightings



● Standard Retail	12.4%
● Retail Warehouse	5.0%
● Offices	25.2%
● Industrial	42.2%
● Other	15.2%

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

Portfolio Locations



● Yorkshire and Humberside	15.86%
● South East	14.93%
● South West	11.10%
● East Midlands	11.05%
● Eastern	10.88%
● West Midlands	8.79%
● North West	8.73%
● Wales	7.55%
● Rest of London	5.91%
● Scotland	5.20%
● Central London, North East, Northern Ireland	0.00%

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

Investment Summary

We are pleased to have seen a busy quarter for acquisitions with five new properties added to the portfolio with a value of just over £40 million. These new acquisitions provide a net initial yield of 8.1%, rising to 8.7% in September, and a reversionary yield of 8.3% which are supportive of our target annual dividend of 8 pence per share. The new acquisitions also provide a WAULT to break of 8.8 years that will have a positive impact on the average length of income received across the portfolio which was 4.5 years at the end of December and was 5.08 years at the end of Q1 18. We are also encouraged by the strength of our current pipeline, and the continued wealth of buying opportunities that the Company has been taking advantage of since IPO.

The acquisitions completed during the quarter have also allowed us to increase the Company's debt levels back towards the long term loan to value target of 25% which should also assist performance. During the period a total of £17.50 million was drawn following the extension of the Company's existing debt facility however, with the exception of specific acquisitions ahead of an equity fundraising or asset disposal, we will continue to target an amount equivalent to 25% of the Gross Asset Value.

We also exchanged contracts on the sale of offices in Nottingham, a strategic disposal for the portfolio that we outlined in our business plan at acquisition. The disposal removes c. 1.9% of the portfolio's overall vacancy as well as the ongoing need for capital expenditure associated with letting the offices. Completion of the sale occurred post period end and the Company now retains the fully let retail accommodation in a busy city centre location at an attractive yield.

We continue to see selected new strong investment opportunities across all sectors and use our expert stock selection skills to identify and analyse these. There remains a heavy weighting towards the industrial sector within our pipeline and given the continued positive valuation performance of c. 2% across the Company's industrial portfolio this quarter and the current low average passing rent of £3.44 per sq ft, we consider that this segment in particular looks well placed to benefit from further growth.

Finally, we are pleased to announce the appointment of Liberum as Broker to the Company.

10 largest assets	Location	Sector
Geddington Road	Corby	Other
London East Leisure Park	Dagenham	Other
40 Queens Square	Bristol	Other offices
225 Bath Street	Glasgow	Other offices
Gresford Industrial Estate	Wrexham	Industrial
Pearl Assurance House	Nottingham	Other offices
Eastpoint Business Park	Oxford	Other offices
69, 71, 73 and 75 Above Bar Street	Southampton	Standard retail
Barnstaple Retail Park	Barnstaple	Retail warehouses
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate	South Kirkby	Industrial

As at 31 March 2018.

The management team



Richard Tanner

Managing
Director – AEW UK



Alex Short

Portfolio
Manager



Laura Elkin

Assistant Portfolio
Manager

Key contacts New investors: Dana Eisner | dana.eisner@eu.aew.com | T: 020 7016 4883 Existing investors: Kari Clarke | kari.clarke@eu.aew.com | T: 020 7016 4804

Q1 Acquisitions

GEFCO UK Ltd, Geddington Road, Corby

- 35 acres in an established industrial location
- WAULT of 3.7 years with potential to renew
- Value underpinned by redevelopment potential
- Attractive net initial yield of 10%



London East Leisure Park, Dagenham

- Freehold leisure scheme 11 miles east of Central London
- Approximately 13 years of unexpired income
- Value underpinned by long term redevelopment potential
- Attractive net initial yield of 5.8%, rising to 8% in September 2018



Plastipak UK Ltd, Gresford Industrial Estate, Wrexham

- Single let industrial unit with 14 years unexpired
- Large, valuable power supply is attractive to occupier
- Unit could be split to achieve a higher ERV
- Attractive net initial yield of 8.3%



Diamond Business Park, Wakefield

- Multi-let industrial estate on a 10 acre site
- Adjoining residential development
- Low capital value per sq ft
- Attractive triple net initial yield of 8.5%



Pilkington UK Ltd, Knowles Lane, Bradford

- Well configured industrial unit in an established industrial location
- 6.8 years unexpired
- Low passing rent of £3.43 per sq ft
- Attractive net initial yield of 7.1%



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