

Quarterly Update

Q3 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): £151.65

Property valuation: £193.53

Number of properties held: 36

Average lot size: £5.38m

Property portfolio net initial yield (% p.a.): 7.90%

Property portfolio reversionary yield: 7.71%

LTV (Gross Asset Value): 25.84%

Average weighted unexpired lease term

To break: 5.00 years **To expiry:** 6.18 years

Occupancy: 96.73%* * As a % of ERV

Number of tenants: 95

Share price as at 30 Sep: 95.01p

NAV per share: 100.06p **Premium/(discount) to NAV:** (5.05)%

Shares in issue: 151.56m

Market capitalisation: £143.99m

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 was 8 pence per Share prorated over the 11 months ended 30 June 2018. 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 year ending 31 March 2019.

ISIN: GB00BWD24154 **Broker:** Liberum

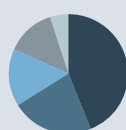
Ticker: AEWU **SEDOL:** BWD2415

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 30 September 2018, the fair value independent valuation of the property portfolio was £193.53 million (30 June 2018: £191.95 million), following the sale of 18-36, Chapel Walk, Sheffield, during the quarter. On a like-for-like basis the valuation of the property portfolio increased by £2.48 million (1.30%) over the quarter (30 June 2018: £3.26 million and 1.73%).
- NAV of £151.65 million or 100.06 pence per share (31 March 2018: £149.14 million or 98.40 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.06 pence per share (30 June 2018: 2.04 pence per share), in line with the Company's target annual dividend of 8.00 pence per share.
- The Company has announced an interim dividend of 2.00 pence per share for the three months ended 30 September 2018.
- NAV total return of 3.80% and shareholder total return of 0.42% for the three months ended 30 September 2018.
- The Company remains conservatively geared with a gross loan to value ratio of 25.84% (30 June 2018: 26.05%).
- At 30 September 2018, the Company held £7.40 million cash for investment, most of which we expect to invest in an attractive and high-yielding asset in the coming months.
- Portfolio and asset management activity during the period included:
 - The letting of Orion House, Eastpoint Business Park, Oxford, for a term of 25 Years at a rent of £179,410 per annum.
 - The letting of Third Floor East, 225 Bath Street, Glasgow for a five year term at a rent of £88,608 per annum.
 - The sale of 18-30, Chapel Walk, Sheffield for gross proceeds of £0.90 million.

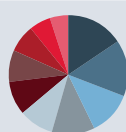
Sector Weightings



Industrial	43.9%
Offices	22.4%
Other	15.5%
Standard Retail	13.4%
Retail Warehouse	4.8%

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

Portfolio Locations



South East	15.60%
Yorkshire and Humberside	15.29%
South West	12.09%
Eastern	11.69%
East Midlands	9.34%
West Midlands	9.22%
North West	8.45%
Wales	7.61%
Rest of London	5.92%
Scotland	4.78%
Central London, North East, Northern Ireland	0.00%

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

Investment Summary

This has been another quarter of strong performance for the Company, both in terms of income and capital growth. The Company continues to consolidate its position of having the highest dividend yield in the peer group, whilst providing both capital growth, a proportionate level of risk, and is managed by a very experienced team. Asset Management continues to deliver strong performance with deals now being progressed on the majority of assets in the portfolio. The Company's vacancy is now at an all-time low with a 97% occupancy rate, and as a result we have seen a covered dividend for the last two quarters. Ongoing potential income growth raises the prospects for the Company's earnings in the near future.

The performance of the portfolio, both in terms of income and capital, also reinforces the success of the strategy we continue to pursue. The Company holds a significantly underweight retail position and has no exposure to London offices, reflecting our views on the relatively poor performance prospects in these sectors. The few retail assets we do own were purchased in areas of high land value with options for long term alternative uses.

The Company's largest sector exposure remains well located, second hand industrial warehousing, where we are commonly seeing rental value growth of 20-30% when we reach a lease renewal. This is, in part, as a result of our stock selection expertise focusing on well located assets, in areas of low supply, that have been purchased at levels below replacement cost and with an income stream that provides strong returns.

Notable new lettings this quarter include c 13,000 sq ft at Eastpoint Business Park, Oxford, where a new 20 year lease to Genesis Health Care has been completed, increasing the value of the estate by c. 23% over the quarter. A new letting of c. 8,000 sq ft has also been completed at Bath Street in Glasgow which will increase the income received from this asset by c. £90,000 per annum following the expiry of the tenant's rent free period.

Looking forward, the Company has a strong pipeline of assets that it would like to purchase. With a yield in excess of 8% and capital value growth as well, we think that we are in a position to expand the size of the portfolio. As the Company's asset management initiatives are reaching maturity, we are starting to see promising returns, which we believe could be replicated in other attractive opportunities as we continue to track a strong pipeline of assets.

10 largest assets	Location	Sector
Geddington Road	Corby	Other
40 Queens Square	Bristol	Other offices
London East Leisure Park	Dagenham	Other
Eastpoint Business Park	Oxford	Other offices
Plastipak UK Ltd	Wrexham	Industrial
225 Bath Street	Glasgow	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
Storeys Bar Road	Peterborough	Industrial

As at 30 September 2018.

The management team



Richard Tanner, Managing Director – AEW UK



Alex Short, Portfolio Manager



Laura Elkin, Assistant Portfolio Manager

Key contacts New investors: Doug Rowlands | douglas.rowlands@eu.aew.com | T: 020 7016 4831 Existing investors: Kari Clarke | kari.clarke@eu.aew.com | T: 020 7016 4804

Q3 Asset Management



East point, Oxford

- New 25 year lease with RPI uplifts
- Value of the property increased by c 23% over the period
- Reduction in fund vacancy by c 1%



225 Bath Street, Glasgow

- Recently refurbished common parts
- New 5 year lease
- Reduction in fund vacancy by c 0.5%



Chapel Walk, Sheffield

- Busy city centre location
- Sale of vacant units totalling 8,000 sq ft
- Reduction in fund vacancy by c 0.4%

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