

Quarterly Update

Q1 19

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): £149.46m

Property valuation: £197.61m

Number of properties held: 35

Average lot size: £5.65m

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

Property portfolio reversionary yield: 7.75%

LTV (Gross Asset Value): 25.30%

Average weighted unexpired lease term

To break: 4.9 years **To expiry:** 6.1 years

Occupancy: 97.01%* * As a % of ERV

Number of tenants: 95

Share price as at 31 Mar: 92.80p

NAV per share: 98.61p **Premium/(discount) to NAV:** (5.89)%

Shares in issue: 151.56m

Market capitalisation: £140.65m

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 declared for the year ended 31 March 2019. Based on the current market conditions, the Company expects to pay an annualised dividend of 8 pence per Share in respect of the financial year ending 31 March 2020 and for the interim financial period to 30 September 2019.

ISIN: GB00BWD24154 **Broker:** Liberum

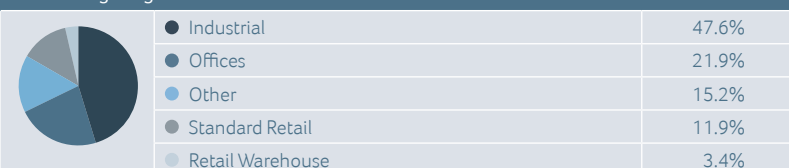
Ticker: AEWU **SEDOL:** BWD2415

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

Fund Highlights

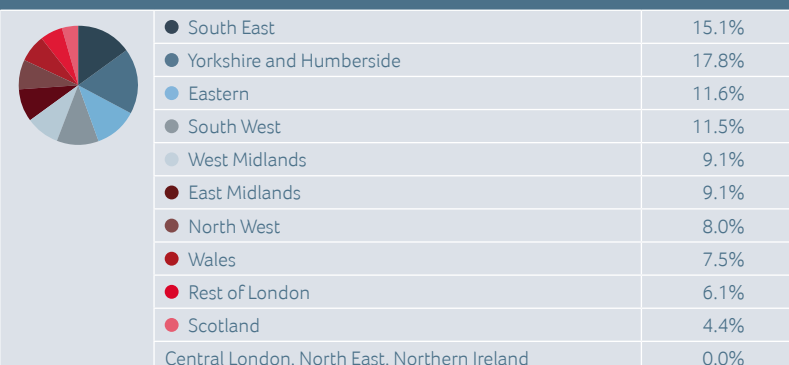
- At 31 March 2019, the fair value independent valuation of the property portfolio was £197.61 million (31 December 2018: £192.66 million), following the acquisition of Lockwood Court, Leeds, and the sale of Waggon Road, Mossley, during the quarter. On a like-for-like basis the valuation of the property portfolio decreased by £1.75 million (0.91%) over the quarter (31 December 2018: increase of £1.03 million and 0.53%).
- NAV of £149.46 million or 98.61 pence per share (31 December 2018: £152.12 million or 100.37 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 1.99 pence per share (31 December 2018: 1.98 pence per share). Excluding one off costs 2.11 pence per share (31 December 2018: 2.05 pence per share).
- The Company declared interim dividend of 2.00 pence per share for the three months ended 31 March 2019, in line with the targeted annual dividend of 8.00 pence per share.
- The Company remains conservatively geared with a gross loan to value ratio of 25.30% (31 December 2018: 25.95%).
- At 31 March 2019, the Company held £1.84 million cash for investment which will be held for future capex projects.
- Portfolio and asset management activity during the period included:
 - The acquisition of Lockwood Court, Parkside Industrial Estate, Leeds, for a net purchase price of £6.93 million. The 187,794 sq ft warehouse asset is fully let to LWS Yorkshire Ltd, a logistics and storage provider for Harrogate Spring Water, on a 10 year lease from October 2018.
 - The disposal of Waggon Road, Mossley, for gross proceeds of £450,000, ahead of the most recent valuation of £350,000.

Sector Weightings



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

Portfolio Locations



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

Investment Summary

The first quarter of 2019 has seen the Company's EPRA EPS figure increase slightly to 1.99 pence per share, as the portfolio's income stream remains stable and the vacancy level remains low at 2.99% by ERV.

Whilst it had been hoped that the first quarter of 2019 would have removed some element of political uncertainty, the Brexit deadline has been extended to 31 October 2019 which is expected to hinder UK economic growth and investment. It is hoped that the extension has eliminated the possibility of a 'no deal' outcome which would likely have had a significant negative impact on the UK property market. We think that the portfolio is well positioned to mitigate the risks in the wider economy, having no exposure to the Central London Office Market. However, the well-publicised headwinds facing the retail sector mean that the Company's property portfolio has seen a like-for-like decrease in valuation over the quarter, albeit the overall impact is relatively low given the Company's limited exposure to the retail market.

The like-for-like valuation decrease for the quarter of £1.75 million (0.91%) is detailed as follows by sector:

Sector	Valuation 31 March 2019	Valuation movement for the quarter	Valuation movement for the quarter
	£ million	£ million	%
Industrial	94.13	0.20	0.23
Office	43.21	0.00	0.00
Other	30.02	-0.30	-0.99
Retail	30.25	-1.65	-5.17
Total	197.61	-1.75	-0.91

The Company's industrial assets continue to perform relatively well and make up 47.6% of the portfolio valuation as at 31 March 2019. We continue to see attractive opportunities in the industrial sector, as evidenced by the acquisition of Lockwood Court, Leeds, during the quarter. We hope to take advantage of further opportunities in industrials, subject to cash becoming available for investment.

The Company also profited on the disposal of one of its smaller industrial assets during the quarter. Waggon Road, Mossley, was sold at auction for gross proceeds of £450,000 compared with its most recent valuation of £350,000.

Although the Company's retail assets have reduced in valuation, we believe that our downside risk is limited by the strong alternative use values and asset management options, as most of these assets are located in town and city centre locations with large catchment populations. This is in addition to the fact that the Company has relatively low overall exposure to retail, as it makes up 15.3% of the portfolio valuation.

Whilst we have a low level of vacancy in the portfolio, we expect to continue adding value through an active approach to asset management. The portfolio has a weighted average unexpired lease term of 4.9 years to break and over £2 million of passing rent reaching a lease event within the next 12 months. This will allow the opportunity to negotiate higher rents and boost the income profile of the portfolio. We continue to see attractive opportunities across our target sectors and look forward to raising additional capital under our placing programme to pursue those opportunities as and when market conditions allow.

Q1 Asset Management

Milton Keynes industrial – National Crash Repairs

- We have secured a £51,000 pa uplift (38% increase) on the August 2018 rent review, taking the total rent to £185,000 p.a.



Greater Manchester industrial – National Crash Repairs

- We have sold the unit in auction for £100,000 above the reserve at £450,000 (£35 psf). The asset size was well below the desired lot size for the Fund and had limited asset management potential.



Salford industrial – National Crash Repairs

- The rent has increased by £8,100 p.a. (approx. 8%) under the August 2018 rent review to £111,100 p.a.



10 largest assets	Location	Sector
Geddington Road, Corby	East Midlands	Other
40 Queens Square, Bristol	South West	Other offices
London East Leisure Park	Rest of London	Other
Eastpoint Business Park, Oxford	South East	Other offices
Gresford Industrial Estate, Wrexham	Wales	Industrial
225 Bath Street, Glasgow	Scotland	Other offices
Lockwood Court, Leeds	Yorkshire and Humberside	Industrial
69–75 Above Bar Street, Southampton	South East	Standard retail
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate, South Kirkby	Yorkshire and Humberside	Industrial
Barnstaple Retail Park	South West	Retail warehouses

As at 31 March 2019.

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

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