

Quarterly Update

Q4 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): £152.12m

Property valuation: £192.66m

Number of properties held: 35

Average lot size: £5.50m

Property portfolio net initial yield (% p.a.): 7.69%

Property portfolio reversionary yield: 7.70%

LTV (Gross Asset Value): 25.95%

Average weighted unexpired lease term

To break: 4.66 years **To expiry:** 5.87 years

Occupancy: 96.92%* * As a % of ERV

Number of tenants: 93

Share price as at 31 Dec: 89.80p

NAV per share: 100.37p **Premium/(discount) to NAV:** (10.53)%

Shares in issue: 151.56m

Market capitalisation: £136.10m

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, 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 2019 and for the interim financial period to 30 September 2019.

ISIN: GB00BWD24154 **Broker:** Liberum

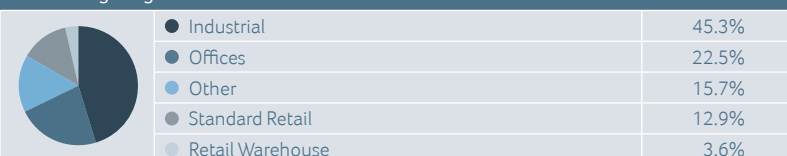
Ticker: AEWU **SEDOL:** BWD2415

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

Fund Highlights

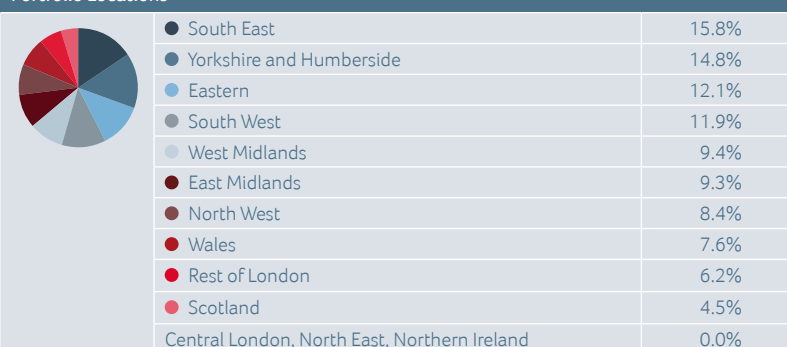
- At 31 December 2018, the fair value independent valuation of the property portfolio was £192.66 million (30 September 2018: £193.53 million), following the sale of Stoneferry Retail Park, Hull, during the quarter. On a like-for-like basis the valuation of the property portfolio increased by £1.03 million (0.53%) over the quarter (30 September 2018: £2.48 million and 1.30%).
- NAV of £152.12 million or 100.37 pence per share (30 September 2018: £151.65 million or 100.06 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 1.98 pence per share (30 September 2018: 2.06 pence per share).
- The Company declared an interim dividend of 2.00 pence per share for the three months ended 31 December 2018.
- NAV total return of 2.31% for the three months ended 31 December 2018.
- The Company remains conservatively geared with a gross loan to value ratio of 25.95% (30 September 2018: 25.84%).
- At 31 December 2018, the Company held £8.91 million cash for investment, which we expect to invest in an attractive and high-yielding industrial asset in the coming weeks.
- Portfolio and asset management activity during the period included:
 - The renewal of the lease at Mangham Road, Rotherham, for a term of ten years at a rent of £275,000 per annum, representing an increase in rent of 20%.
 - The letting of Unit 3, Above Bar Street, Southampton, for a ten year term at a rent of £135,000 per annum.
 - The sale of Stoneferry Retail Park, Hull, for gross proceeds of £1.80 million.
 - A regear of the lease at London East Leisure Park, Dagenham, with McDonalds Restaurants Ltd for a 15 year term at a rent of £75,000 per annum in years 1 to 3, increasing to £90,000 thereafter.

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

Despite an uncertain political outlook, property performance generated from the Company's portfolio continues to be strong, highlighting the expertise of the Manager in selecting assets that will deliver sustainably strong returns under a range of economic outlooks. We are pleased to start the New Year with both a valuation uplift and stable EPRA earnings for the quarter, which demonstrates the ongoing resilience of our strategy.

The like-for-like valuation uplift for the quarter of £1.03 million (0.53%) is detailed as follows by sector:

Sector	Valuation 31 Dec 18	Valuation movement for the quarter	Valuation movement for the quarter
	£ million	£ million	%
Industrial	87.23	2.35	2.77
Other	30.33	0.38	1.25
Office	43.2	-0.2	-0.46
Retail	31.9	-1.5	-4.49
Total	192.66	1.03	0.53

There continue to be concerns around the retail sector, and the Company's exposure has fallen during the quarter from 18.24% to 16.56% of the portfolio valuation. This is partly as a result of the disposal of Stoneferry Retail Park, Hull, for £1.80 million and partly as a result of the valuation losses shown above. Although the Company's remaining retail assets have seen a fall in valuation due to negative sentiment towards the sector,

they are generally located in town and city centres with large catchment populations and in many cases are supported by strong alternative use values and asset management options, limiting the downside risk.

We firmly believe that, given the Company's light exposure to retail property and lack of exposure altogether to the Central London Office Market where Brexit related demand concerns may be building, the Company is well positioned to weather challenges in the wider economy and to take advantage of opportunities in the market.

Following on from recent quarters' asset management successes, this quarter saw further letting success with a 10 year lease renewal being signed with Hydro Components UK Ltd on an 80,000 sq ft industrial unit in Rotherham, which crystallised a 20% uplift in the level of passing rent. In addition, a new letting was completed with Footasylum on Above Bar Street in Southampton, which highlighted that well located retail property is still able to attract tenant demand and, as such, vacancy across the portfolio remains low at 3.08%. Despite this low level of vacancy, we still expect to see significant value add opportunities from the portfolio in coming quarters as other asset management transactions that are currently being negotiated start to reach fruition.

The sale of the asset in Hull, along with the use of our debt facility up to an LTV of 25.95%, provides us with further capital to invest and as such, we are currently undertaking detailed due diligence on a new industrial asset which we hope to be able to announce that purchase imminently. As shown by this potential acquisition, the Company's investment pipeline continues to look strong with a variety of opportunities that could be accretive to our earnings.

Q4 Asset Management

Mangham Road, Rotherham

- Ten year lease renewal achieved a 20% increase in passing rent
- Value of the property increased by over 30% during the period



Above Bar Street, Southampton

- New ten year letting
- Rent agreed close to rental value expectations showing resilience in this retail location



Stoneferry Retail Park, Hull

- Sale of the asset to an owner occupier/developer
- The sale reduces the Company's exposure to the retail sector, now below 17%



London East Leisure Park, Dagenham

- Fifteen year lease renewal achieved with McDonalds
- Value of the property increased by over £250,000 during the period



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
69-75 Above Bar Street, Southampton	South East	Standard retail
Barnstaple Retail Park	South West	Retail warehouses
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate	Yorkshire and Humberside	Industrial
Storeys Bar Road, Peterborough	Eastern	Industrial

As at 31 December 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

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