AEW UK REIT plc

Interim Report and Financial Statements
for the six months ended 30 September 2020

Contents

Best UK Real Estate Investment Trust 2020

Gold medal for Financial Reporting 2020

Silver medal for Sustainability Reporting 2020

Most Improved Award for Sustainability Reporting 2020

Financial Highlights

- Net Asset Value ('NAV') of £147.24 million and of 92.73 pence per share ('pps') as at 30 September 2020 (31 March 2020: £147.86 million and 93.13 pps).
- Operating profit before fair value changes of £5.93 million for the period (six months ended 30 September 2019: £7.26 million).
- Profit Before Tax ('PBT') of £5.72 million and 3.61 pps for the period (six months ended 30 September 2019: £4.16 million and 2.74 pps).
- Shareholder Total Return for the period of 16.13% (six months ended 30 September 2019: 5.50%).
- EPRA Earnings Per Share ('EPRA EPS') for the period of 3.41 pps (six months ended 30 September 2019: 4.37 pps). See page 32 for the calculation of EPRA EPS.
- Total dividends of 4.00 pps declared in relation to the period (six months ended 30 September 2019: 4.00 pps).
- The price of the Company's Ordinary Shares on the London Stock Exchange was 75.20 pps as at 30 September 2020 (31 March 2020: 68.20 pps).
- As at 30 September 2020, the Company had a balance of £39.50 million drawn down (31 March 2020: £51.50 million) of its £60.00 million (31 March 2020: £60.00 million) term credit facility with the Royal Bank of Scotland International Limited ('RBSi') and was geared with a Loan to NAV ratio of 26.83% (31 March 2020: 34.83%). The Company can draw £12.03 million of the remaining facility up to the maximum 35% Loan to NAV at drawdown (see note 13 on page 40 for further details).
- The Company held cash balances totalling £13.36 million as at 30 September 2020 (31 March 2020: £9.87 million).

Property Highlights

- As at 30 September 2020, the Company's property portfolio had a valuation of £171.36 million across 34 properties (31 March 2020: £189.30 million across 35 properties) as assessed by the valuer and a historical cost of £184.07 million (31 March 2020: £197.12 million).
- The Company made no acquisitions during the period and disposed of one property, Geddington Road, Corby, for net proceeds of £18.68 million, realising a profit on disposal of £3.67 million.
- The portfolio had an EPRA vacancy rate of 8.21%. Excluding 225 Bath Street, Glasgow, which has been exchanged for sale with a condition of vacant possession, the vacancy rate was 4.90% (31 March 2020: 3.68%).
- Rental income generated during the period was £8.12 million (six months ended 30 September 2019: £8.78 million).
- EPRA Net Initial Yield ('EPRA NIY') of 7.21% as at 30 September 2020 (31 March 2020: 8.26%).
- Weighted Average Unexpired Lease Term ('WAULT') of 4.99 years to break and 6.48 years to expiry (31 March 2020: 4.26 years to break and 5.55 years to expiry).
- Post period-end, in November 2020, the Company acquired a warehouse asset in Weston-Super-Mare for a purchase price of £5.40 million.
- As at the date of this report, rent collection statistics were as follows for the March, June and September rental quarters:

Current Position as at 12 November 2020	March 2020 %	June 2020 %	September 2020 %
Received	93	89	72
Monthly Payments Expected Prior to Quarter End	–	–	15
	93	**89**	**87**
Agreed on longer term payment plans	4	3	4
Under Negotiation	2	4	4
	99	**96**	**95**
Outstanding	1	4	5
Total	**100**	**100**	**100**

Chairman's Statement

Overview

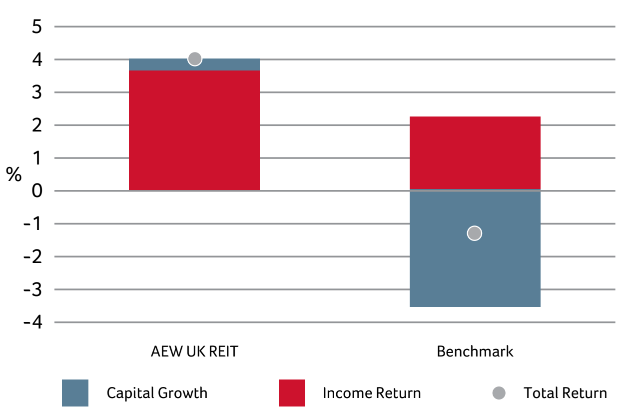
I am pleased to report the unaudited interim results of AEW UK REIT plc (the 'Company') for the six months ended 30 September 2020. The Company had a diversified portfolio of 34 commercial investment properties throughout the UK with a value of £171.36 million as at 30 September 2020.

The Company's NAV has remained resilient over the period, having fallen by only 0.43% despite the uncertain economic backdrop caused by the ongoing COVID-19 pandemic. Although the valuation of the Company's property portfolio has fallen by 1.69% on a like-for-like basis over the period, the sale of 2 Geddington Road, Corby, at a price significantly ahead of its prevailing valuation, realised a profit on disposal of £3.67 million. This not only provided a boost to the Company's NAV, but improved the Company's position in terms of its cash and debt covenants, thus making the Company robustly positioned to deal with uncertainty resulting from the pandemic. The Company repaid £12.00 million of its debt facility in July 2020, resulting in a Loan to NAV ratio of 26.83% while maintaining a healthy cash balance of £13.36 million, both as at 30 September 2020.

The sale of Corby and the resulting loss of the Company's largest tenant at the time has contributed to a fall in rental income and therefore a fall in EPRA EPS, which was 3.41 pence for the period. Proceeds from the sale of Corby have now begun to be reinvested as our Investment Manager (AEW UK Investment Management LLP) is starting to see more attractive opportunities in the investment pipeline that should prove to be accretive to both NAV and earnings. The Company made one acquisition post period-end, acquiring a warehouse asset in Weston-Super-Mare for a purchase price of £5.40 million. The property shows strong potential for medium and long term value growth due to neighbouring land sales for residential development as well as offering an attractive income yield in the meantime. We hope that further opportunities such as this will allow the Company to increase its earnings over the coming quarters.

The Investment Manager continues to work with the Company's tenants in order to manage the difficulties posed by the pandemic. To date, the tenancy profile of the Company has remained largely intact, as the vacancy rate by ERV was just 4.9% as at 30 September 2020 (this excludes vacancy at the Company's property in Glasgow, which has exchanged to be sold with a condition of vacant possession. Portfolio level vacancy increases to 8.2% with this asset included). Rent collection rates have remained high for the March 2020, June 2020 and September 2020 rent quarters in comparison with the averages seen in the wider market and we expect that ultimate rates of collection, following the expiry of longer-term payment plans, should result in collection rates in excess of 90%. There are tenants who continue to face difficulties in the current environment and in such instances the Investment Manager has agreed a longer-term payment plan where rental income can be recovered in full over coming periods. A prudent assessment has been made of the recoverability of the Company's outstanding receivables, taking into account the uncertain economic climate, and a provision has been made in the financial statements for expected credit losses.

Company Portfolio Performance vs. Benchmark for 6 months to 30 September 2020



Key:
Benchmark – MSCI/AREF UK PFI Balanced Funds Quarterly Property Index Benchmark

Source: MSCI 30 September 2020

The active asset management approach of the Investment Manager has continued to add value and limit the downside in the current market. During the period, the Company has completed a number of lettings and lease renewals which are noted in more detail in the 'Asset Management' section of the Investment Manager's report. The most notable of these has been the 15-year lease renewal with the Secretary of State for Housing, Communities and Local Government at the Company's office asset, Sandford House, Solihull, which resulted in a 30% increase in rental income. In addition to its letting activity, the Company has begun to undertake remedial works to its property at Bank Hey Street, Blackpool, which include the overhaul and reinstatement of its cathodic protection system, and comprehensive repairs to faience elevations and windows. The nature of these repair works means that as the costs are incurred, they will be expensed to the Company's profit or loss, with a corresponding increase expected to be seen in the revaluation of the property.

The Company's share price was 75.20 pps as at 30 September 2020, representing an 18.90% discount to NAV. This reflects the declines experienced in equity markets in general and specifically in the real estate sector as a result of the COVID-19 pandemic. In light of the discount in share price to NAV and cash reserves available, post period-end the Company has bought back 350,000 of its own shares for gross consideration of £262,995, which will have a positive impact on the Company's NAV per share.

Chairman's Statement *(continued)*

We are delighted to announce that the Company has received four awards during the year; EPRA Gold medal for Financial Reporting, EPRA Silver medal for Sustainability Reporting and EPRA Most Improved award for Sustainability Reporting. The Company has also been named Best UK Real Estate Investment Trust in the Citywire Investment Trust Awards based upon its strong three year track record. These awards are a reflection of much hard work committed to the Company by the Investment Manager and the Board would like to thank the team at AEW and express its positivity and confidence in the Investment Manager's ongoing ability to implement the Company's strategy.

Financial Results

	6 month period from 1 April 2020 to 30 September 2020 (unaudited)	6 month period from 1 April 2019 to 30 September 2019 (unaudited)	12 month period from 1 April 2019 to 31 March 2020 (audited)
Operating Profit before fair value changes (£'000)	5,934	7,264	14,472
Operating Profit (£'000)	6,276	4,901	5,072
PBT (£'000)	5,724	4,159	3,652
Earnings Per Share (basic & diluted) (pence)	3.61	2.74	2.40
EPRA EPS (basic and diluted) (pence)	3.41	4.37	8.67
Ongoing Charges (%)	1.31	1.34	1.34
NAV per share (pence)	92.73	97.36	93.13
EPRA NAV per share (pence)	92.70	97.32	93.12

Financing

The Company has a £60.00 million loan facility, of which it had drawn a balance of £39.50 million as at 30 September 2020 (31 March 2020: £60.00 million facility; £51.50 million drawn), producing a Loan to NAV ratio of 26.83% (31 March 2020: 34.83%). During the period, the Company amended the facility to allow the flexibility to make repayments and re-draw these amounts, akin to a revolving credit facility.

The unexpired term of the facility was 3.1 years as at 30 September 2020 (31 March 2020: 3.6 years). The loan incurs interest at 3-month LIBOR +1.4%, which equated to an all-in rate of 1.47% as at 30 September 2020 (31 March 2020: 2.10%).

The Company is protected from a significant rise in interest rates as it has in place interest rate caps. Throughout the period and up to 19 October 2020, the Company had in effect interest rate caps on a notional value of £36.51 million of the loan, with £26.51 million capped at 2.50% and £10.00 million capped at 2.00%, which resulted in the loan balance being 92.4% hedged as at 30 September 2020. During the period, the Company paid a premium of £62,968 to enter into new interest rate caps effective from 20 October 2020 and for the remaining term of the loan, which cap the LIBOR rate at 1.00% on a notional value of £51.50 million.

As noted in the KPIs, the Company targets a long-term gearing of 35% Loan to NAV, which is the maximum gearing on drawdown of the RBSi loan facility. The Board and Investment Manager will continue to monitor the level of gearing and may adjust the gearing according to the Company's circumstances and perceived risk levels.

During the period, the Company obtained consent from its lender, RBSi, to waive the interest cover ratio ('ICR') tests within its loan agreement for July and October 2020, with the next proposed test being in January 2021, which was considered to be a prudent action given the economic environment. Irrespective of these waivers the Company would have passed its ICR tests for both July and October 2020.

Chairman's Statement *(continued)*

Dividends

The Company has continued to deliver on its target of paying dividends of 8.00 pps per annum. During the period, the Company declared and paid two quarterly dividends of 2.00 pps, in line with its target. Dividends for the period were 85.25% covered by EPRA EPS.

It remains the Company's intention to continue to pay dividends in line with its dividend policy, however the outlook remains very uncertain given the current COVID-19 pandemic. In determining future dividend payments, regard will be had to the circumstances prevailing at the relevant time, as well as the Company's requirement, as a UK REIT, to distribute at least 90% of its distributable income annually, which will remain a key consideration.

Outlook

At the time of writing this report, the UK faces unprecedented economic uncertainty and it appears likely that the economy will continue to struggle for the remainder of 2020 and beyond. While we expect that this will continue to impact the property market, the Company remains well positioned to withstand these conditions as a result of its healthy cash position and borrowing covenant headroom. Since the onset of the pandemic, the Company has displayed stable NAV performance, reflecting the diversity of the portfolio, its low exposure to the retail sector and the fact that many of its assets benefit from viable alternative use potential, which limits downside risk and volatility. We are also encouraged by strong and improving rent collection levels to date.

In the near term, the Board and Investment Manager will continue to focus on minimising the impact of COVID-19 on its stakeholders and, as more attractive opportunities arise in the investment market, will aim to find suitable assets to build earnings back towards a fully covered dividend, following the sale of the Company's Corby asset. The developing economic conditions will be monitored closely and the Company's strategy adjusted accordingly. There has recently been some positive news regarding the development of a vaccine and it is hoped that its implementation will kick-start economic recovery and provide the conditions to enable growth of the Company to resume.

Mark Burton
Chairman
17 November 2020

Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
1. EPRA NIY A representation to the investor of what their initial net yield would be at a predetermined purchase price after taking account of all associated costs, e.g. void costs and rent free periods.	An EPRA NIY profile in line with the Company's target dividend yield shows that, after costs, the Company should have the ability to meet its target dividend through property income.	7.50 – 10.00%	**7.21%** at 30 September 2020 (31 March 2020: 8.26%).
2. True Equivalent Yield The average weighted return a property will produce according to the present income and estimated rental value assumptions, assuming the income is received quarterly in advance.	A True Equivalent Yield profile in line with the Company's target dividend yield shows that, after costs, the Company should have the ability to meet its proposed dividend through property income.	7.50 – 10.00%	**8.30%** at 30 September 2020 (31 March 2020: 8.04%).
3. Reversionary Yield The expected return the property will provide once rack rented.	A Reversionary Yield profile that is in line with an Initial Yield profile shows a potentially sustainable income stream that can be used to meet dividends past the expiry of a property's current leasing arrangements.	7.50 – 10.00%	**8.27%** at 30 September 2020 (31 March 2020: 7.90%).
4. WAULT to expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management, particularly in certain growth sectors such as warehousing, as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent-review mechanisms.	>3 years	**6.48 years** at 30 September 2020 (31 March 2020: 5.55 years).

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
5. WAULT to break The average lease term remaining to break, across the portfolio weighted by contracted rent.	The Investment Manager believes that current market conditions present an opportunity whereby assets with a shorter unexpired lease term are often mispriced. As such, it is in line with the Investment Manager's strategy to acquire properties with a WAULT that is generally shorter than the benchmark. It is also the Investment Manager's view that a shorter WAULT is useful for active asset management, particularly in certain growth sectors such as warehousing, as it allows the Investment Manager to engage in direct negotiation with tenants rather than via rent review mechanisms.	>3 years	**4.99 years** at 30 September 2020 (31 March 2020: 4.26 years).
6. NAV NAV is the value of an entity's assets minus the value of its liabilities.	Provides stakeholders with the most relevant information on the fair value of the assets and liabilities of the Company.	Increase year-on-year	**£147.24 million** at 30 September 2020 (31 March 2020: £147.86 million).
7. Leverage (Loan to NAV) The proportion of the Company's net assets that is funded by borrowings.	The Company has changed the measure of its Leverage KPI from 'Loan to Gross Asset Value ('GAV')' to 'Loan to NAV'. This is in line with the measure used in its banking covenants and so is considered to be more relevant to the Company's position. The target of 35% Loan to NAV, which is the gearing limit at drawdown under the RBSi facility, approximates to the previous target of 25% Loan to GAV, which is the measure used in the Company's Investment Guidelines. Gearing will continue to be monitored using both measures.	35%	**26.83%** at 30 September 2020 (31 March 2020: 34.83%).
8. Vacant ERV The space in the property portfolio which is currently unlet, as a percentage of the total ERV of the portfolio.	The Company's aim is to minimise vacancy of the properties. A low level of structural vacancy provides an opportunity for the Company to capture rental uplifts and manage the mix of tenants within a property.	<10.00%	**8.21%/4.90% excluding Glasgow** at 30 September 2020 (31 March 2020: 3.68%).

Key Performance Indicators *(continued)*

KPI AND DEFINITION	RELEVANCE TO STRATEGY	TARGET	PERFORMANCE
9. Dividend Dividends declared in relation to the year. The Company targets a dividend of 8.00 pence per Ordinary Share per annum. However, given the current COVID-19 situation, regard will be had to the circumstances prevailing at the relevant time in determining dividend payments.	The dividend reflects the Company's ability to deliver a sustainable income stream from its portfolio.	4.00 pps (period to 30 September)	**4.00 pps** for the six months to 30 September 2020. This supports an annualised target of 8.00 pps (six months to 30 September 2019: 4.00 pps).
10. Ongoing Charges The ratio of annualised administration and operating costs expressed as a percentage of average NAV throughout the period.	The Ongoing Charges ratio provides a measure of total costs associated with managing and operating the Company, which includes the management fees due to the Investment Manager. This measure is to provide investors with a clear picture of operational costs involved in running the Company.	<1.50%	**1.31%** for the six months to 30 September 2020 (six months to 30 September 2019: 1.34%).
11. Profit before tax ('PBT') PBT is a profitability measure which considers the Company's profit before the payment of income tax.	The PBT is an indication of the Company's financial performance for the period in which its strategy is exercised.	4.00 pps (period to 30 September)	**£5.72 million/3.61 pps** for the six months to 30 September 2020 (six months to 30 September 2019: £4.16 million /2.74 pps).
12. Shareholder Total Return The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.	This reflects the return seen by shareholders on their shareholdings through share price movements and dividends received.	8.00%	**16.13%** for the six months to 30 September 2020 (six months to 30 September 2019: 5.50%).
13. EPRA EPS Earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See note 8.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	4.00 pps (period to 30 September)	**3.41 pps** for the six months to 30 September 2020 (six months to 30 September 2019: 4.37 pps).

Investment Manager's Report

Economic Outlook

As a second wave of the COVID-19 pandemic leads to increased lockdown restrictions being implemented across the country, the UK faces continued uncertainty. The economy has already experienced contraction in the quarter to 30 June 2020 following a nationwide lockdown and KPMG's September 2020 UK Economic Outlook expects the economy to contract by 10.3% over the year as a whole. When the Government withdraws its job retention scheme, unemployment will be expected to rise and key indicators of short term economic outlook will be the extent of the impact of the second wave, the subsequent responses needed to contain the virus and further progress in the development of a vaccine.

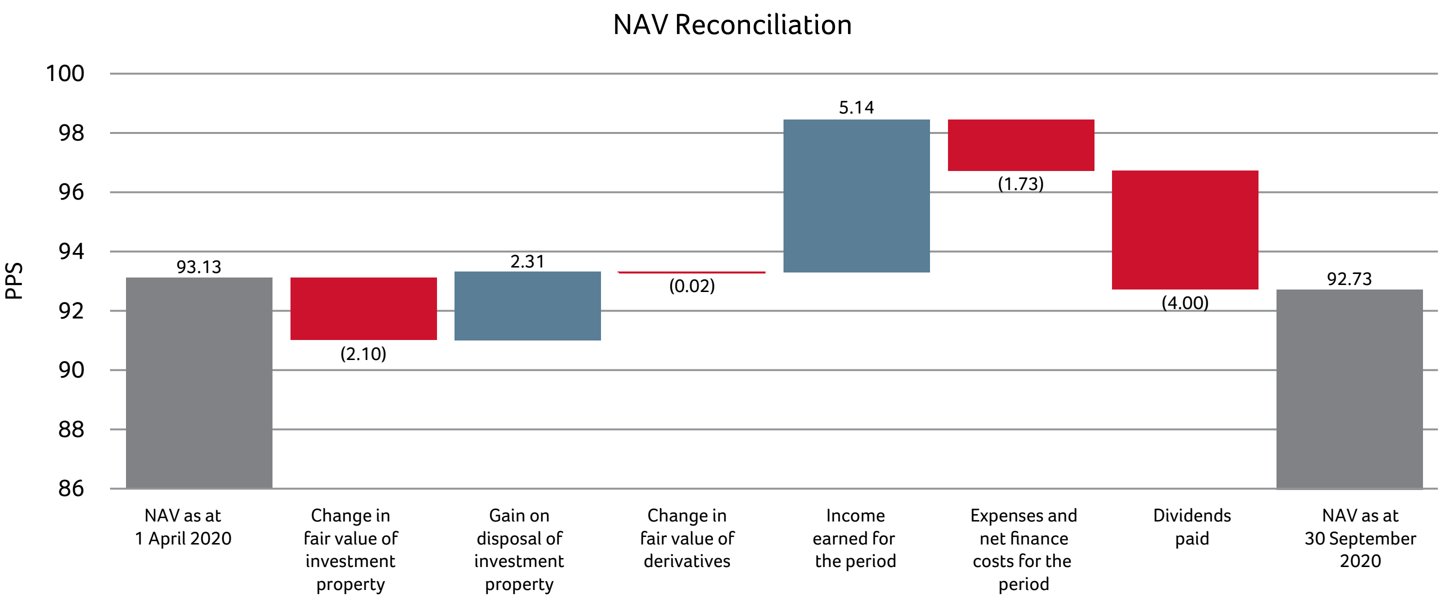
The strength and timing of the economic recovery thereafter will largely depend on the success in implementing a vaccine, while a no-deal Brexit scenario will also pose a risk. The KPMG Economic Outlook forecasts growth of 8.4% in 2021, assuming a vaccine is approved in January 2021 and an outline trade agreement is reached with the EU by the end of the transition period, with the economy forecast to reach pre-COVID-19 levels by the start of 2023. However, the picture is ever changing and it is difficult to place any significant reliance on forecasts with such variable assumptions. Inflation is expected to remain well below the Bank of England's 2% target, which should see the base rate remain at 0.1% or below until at least the end of 2021.

General recovery in the UK commercial property market is expected to track that of the wider UK economy although recovery in sub sectors of the property market will be driven by structural forces as well. A much publicised example of this includes the growth of online retail sales at the expense of physical stores, which has seen a divergence in the capital values of the retail and industrial warehousing sectors. This trend is an important one for the Company's portfolio due to its high weighting to industrial and warehousing property which makes up 52.9% of its property assets by value as at 30 September 2020. Given this weighting, the Company expects to continue its current trend of outperformance against the UK commercial property market as a whole. The high exposure to this sector is expected to continue to provide a resilient outlook for the Company's major performance indicators including net asset value, earnings and occupancy, despite wider economic uncertainty. The high portfolio weighting to warehouses is also expected to continue to provide a positive outlook for rent collection which, based on levels seen to date since the start of the pandemic, is ultimately expected to well exceed 90% in each quarter.

This robust base will further be supported by the Investment Manager's proactive approach to asset management which, despite the ongoing pandemic, has delivered six new lettings in the portfolio since the start of UK-wide lockdowns in March 2020 across all major market sectors including retail. These lettings have secured ongoing rental income to the Company at a weighted average of 5% ahead of previous independent estimates.

Financial Results

The Company's NAV as at 30 September 2020 was £147.24 million or 92.73 pps (31 March 2020: £147.86 million or 93.13 pps). This is a decrease of 0.40 pps or 0.27% over the period, with the underlying movement in NAV set out in the table below:



Investment Manager's Report *(continued)*

EPRA EPS for the year was 3.41 pps which, based on dividends paid of 4.00 pps, reflects a dividend cover of 85.25%. The reduction in dividend cover has largely come about due to the loss of rental income following the disposal of 2 Geddington Road, Corby, in May 2020, which realised a profit on disposal of £3.67 million. Income from the remaining tenancy profile has remained largely intact. Collection rates have reached 93% and 89% for the March 2020 and June 2020 quarters respectively, with further payments expected to be received under longer-term payment plans. Of the outstanding arrears, £0.20 million has been provided for expected credit losses.

Financing

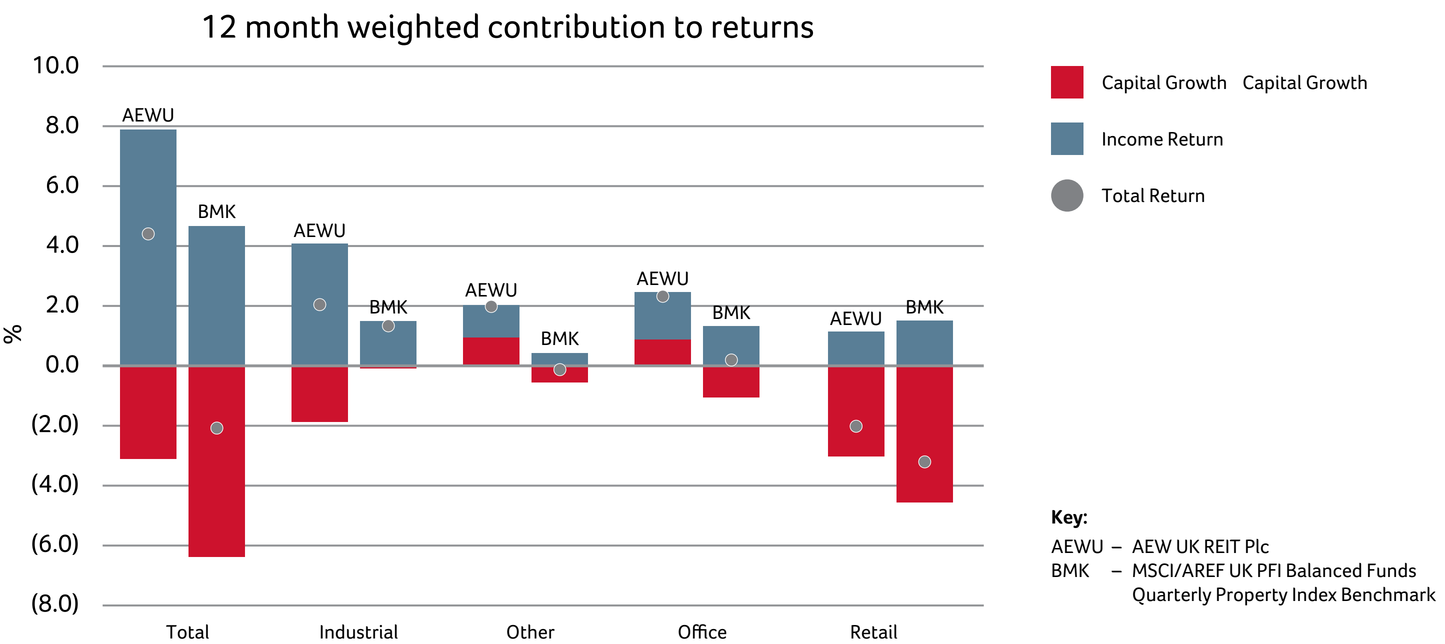
As at 30 September 2020, the Company has a £60.0 million loan facility with RBSi, in place until October 2023, the details of which are presented below:

	30 September 2020	31 March 2020
Facility	**£60.00 million**	£60.00 million
Drawn	**£39.50 million**	£51.50 million
Gearing (Loan to NAV)	**26.83%**	34.83%
Interest rate	**1.47% all-in (LIBOR + 1.40%)**	2.10% all-in (LIBOR + 1.40%)
Notional Value of Loan Balance Hedged	**92.40%**	70.90%

On 24 June 2020, the Company announced an amendment to its facility, allowing the flexibility to make repayments and re-draw these amounts, akin to a revolving credit facility.

Property Portfolio

During the period, the Company disposed of 2 Geddington Road, Corby, for net proceeds of £18.68 million. The Company made no acquisitions during the period.



Source: MSCI 30 September 2020

Investment Manager's Report *(continued)*

The Company made no acquisitions during the period and disposed of one property, Geddington Road, Corby, for net proceeds of £18.68 million, realising a profit on disposal of £3.67 million. The following tables illustrate the composition of the portfolio in relation to its properties, tenants and income streams:

Summary by Sector as at 30 September 2020

Sector	Number of assets	Valuation (£m)	Area (sq ft)	Vacancy by ERV (%)	WAULT to break (years)	Gross passing rental income (£m)	Gross passing rental income (£psf)	ERV (£m)	ERV (£psf)	Rental income (£m)	Like-for like rental growth* (£m)	Like-for like rental growth* %
Industrial	20	90.61	2,336,087	5.13	3.64	7.03	3.01	8.60	3.68	4.23	0.13	3.24
Offices	6	45.85	286,909	2.76	4.15	2.91	10.15	4.16	14.50	1.60	-0.08	-5.01
Alternatives	2	13.00	112,355	0.00	7.85	1.50	13.31	1.28	11.44	0.96	0.04	3.41
Standard Retail	5	16.40	168,917	11.02	4.82	2.06	12.17	1.65	9.76	1.03	-0.29	-22.15
Retail Warehouse	1	5.50	51,021	0.00	3.51	0.61	11.96	0.52	10.09	0.30	0.00	0.07
Portfolio	**34**	**171.36**	**2,955,289**	**8.21****	**4.99**	**14.11**	**4.77**	**16.21**	**5.49**	**8.12**	**-0.20**	**-2.26**

Summary by Geographical Area as at 30 September 2020

Geographical Area	Number of assets	Valuation (£m)	Area (sq ft)	Vacancy by ERV (%)	WAULT to break (years)	Gross passing rental income (£m)	Gross passing rental income (£psf)	ERV (£m)	ERV (£psf)	Rental income (£m)	Like-for like rental growth* (£m)	Like-for like rental growth* %
Yorkshire and Humberside	8	34.46	1,027,801	4.59	1.87	2.43	2.37	3.49	3.31	1.58	-0.03	-1.59
South East	5	25.83	195,545	8.95	3.77	2.11	10.78	2.21	11.67	1.23	-0.18	-12.93
Eastern	5	20.50	344,885	11.36	1.99	1.47	4.27	2.10	6.10	0.96	0.03	3.75
South West	3	20.60	125,004	0.00	2.31	1.73	13.82	1.77	14.14	0.83	0.01	0.64
West Midlands	4	21.15	398,273	3.59	7.21	1.84	4.62	1.75	4.69	0.96	0.03	2.69
East Midlands	1	4.00	28,219	0.00	5.65	0.39	13.64	0.40	18.59	0.38	-0.07	-7.92
North West	4	13.87	302,061	6.11	4.66	1.39	4.61	1.28	4.30	0.66	-0.04	-6.27
Wales	2	13.25	376,138	0.00	8.58	1.25	3.31	1.30	3.44	0.64	0.00	0.52
Greater London	1	9.25	71,720	0.00	11.12	0.96	13.40	0.75	10.45	0.52	0.05	10.05
Scotland	1	8.45	85,643	51.1	1.49	0.54	6.33	1.16	13.54	0.36	0.00	2.52
Portfolio	**34**	**171.36**	**2,955,289**	**8.21****	**4.99**	**14.11**	**4.77**	**16.21**	**5.49**	**8.12**	**-0.20**	**-2.26**

* like-for-like rental growth is for the six months ended 30 September 2020.
** excluding Glasgow, total vacancy is 4.90%.

Source: Knight Frank/AEW, 30 September 2020.

Investment Manager's Report *(continued)*

Individual Property Classifications

	Property	Sector	Region	Market Value Range (£m)
1	40 Queen Square, Bristol	Offices	South West	10.0–15.0
2	Eastpoint Business Park, Oxford	Offices	South East	10.0–15.0
3	Sandford House, Solihull	Offices	West Midlands	7.5–10.0
4	London East Leisure Park, Dagenham	Other (Leisure)	Greater London	7.5–10.0
5	Gresford Industrial Estate, Wrexham	Industrial	Wales	7.5–10.0
6	225 Bath Street, Glasgow	Offices	Scotland	7.5–10.0
7	Langthwaite Grange Industrial Estate, South Kirkby	Industrial	Yorkshire and Humberside	7.5–10.0
8	Lockwood Court, Leeds	Industrial	Yorkshire and Humberside	5.0–7.5
9	Storeys Bar Road, Peterborough	Industrial	Eastern	5.0–7.5
10	Sarus Court Industrial Estate, Runcorn	Industrial	North West	5.0–7.5

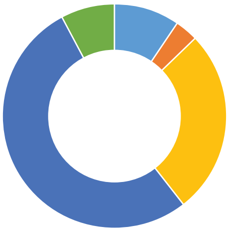
The Company's top ten properties listed above comprise 50.1% of the total value of the portfolio.

	Property	Sector	Region	Market Value Range (£m)
11	Apollo Business Park, Basildon	Industrial	Eastern	5.0–7.5
12	Barnstaple Retail Park	Retail Warehouse	South West	5.0–7.5
13	Euroway Trading Estate, Bradford	Industrial	Yorkshire and Humberside	5.0–7.5
14	Brockhurst Crescent, Walsall	Industrial	West Midlands	5.0–7.5
15	Above Bar Street, Southampton	Standard Retail	South East	<5.0
16	Diamond Business Park, Wakefield	Industrial	Yorkshire and Humberside	<5.0
17	Cranbourne House, Basingstoke	Industrial	South East	<5.0
18	Excel 95, Deeside	Industrial	Wales	<5.0
19	Oak Park, Droitwich	Industrial	West Midlands	<5.0
20	Commercial Road, Portsmouth	Standard Retail	South East	<5.0
21	Pearl Assurance House, Nottingham	Standard Retail	East Midlands	< 5.0
22	Walkers Lane, St. Helens	Industrial	North West	<5.0
23	Cedar House, Gloucester	Offices	South West	<5.0
24	Odeon Cinema, Southend	Other (Leisure)	Eastern	<5.0
25	Brightside Lane, Sheffield	Industrial	Yorkshire and Humberside	<5.0
26	Magham Road, Rotherham	Industrial	Yorkshire and Humberside	<5.0
27	Pipps Hill Industrial Estate, Basildon	Industrial	Eastern	<5.0
28	Bank Hey Street, Blackpool	Standard Retail	North West	<5.0
29	Eagle Road, Redditch	Industrial	West Midlands	<5.0
30	Clarke Road, Milton Keynes	Industrial	South East	<5.0
31	Knowles Lane, Bradford	Industrial	Yorkshire and Humberside	<5.0
32	Vantage Point, Hemel Hempstead	Offices	Eastern	<5.0
33	Moorside Road, Salford	Industrial	North West	<5.0
34	Fargate and Chapel Walk, Sheffield	Standard Retail	Yorkshire and Humberside	<5.0

Investment Manager's Report *(continued)*

Sector and Geographical Allocation by Market Value as at 30 September 2020

Sector Allocation



Geographical Allocation

Top Ten Tenants

	Tenant	Sector	Property	Passing Rental Income (£'000)	% of Portfolio Total Contracted Rental Income
1	The Secretary of State for Housing, Communities and Local Government	Office	Sandford House, Solihull and Cedar House, Gloucester	984	6.4
2	Plastipak UK Limited	Industrial	Gresford Industrial Estate, Wrexham	883	5.8
3	Ardagh Glass Limited	Industrial	Langthwaite Industrial Estate, South Kirkby	676	5.0
4	Mecca Bingo Limited	Leisure	London East Leisure Park, Dagenham	625	4.1
5	Harrogate Spring Water	Industrial	Lockwood Court, Leeds	603	3.9
6	Odeon Cinemas	Leisure	Odeon Cinema, Southend	535	3.5
7	Sports Direct	Retail	Barnstaple Retail Park and Bank Hey Street, Blackpool	525	3.4
8	Wyndeham Peterborough Limited	Industrial	Storeys Bar Road, Peterborough	525	3.4
9	Egbert H Tylor & Company Limited	Industrial	Oak Park, Droitwich	500	3.3
10	HFC Prestige Manufacturing	Industrial	Cranbourne House, Basingstoke	460	3.0

The Company's top ten tenants, listed above, represent 41.8% of the total passing rental income of the portfolio.

Investment Manager's Report *(continued)*

Asset Management

The Company completed the following material asset management transactions during the period:

Bank Hey Street, Blackpool – In May 2020, the Company signed a reversionary lease with existing tenant JD Wetherspoon. This documents the removal of the tenant's break option in 2025 and provides an additional 10-year lease term taking the earliest expiry from 2025 to 2050. The annual rent payable by the tenant has reduced from £96,750 to £90,000 but the lease now provides five-yearly fixed increases reflecting 1% per annum.

2 Geddington Road, Corby – On 22 May 2020, the Company disposed of its largest asset at 2 Geddington Road, Corby, for gross proceeds of £18.80 million, 25% ahead of the valuation level immediately prior and 52% ahead of its acquisition price in 2018. The asset had been delivering an income yield to the Company of 10% per annum.

Sandford House, Solihull – During June 2020, the Company completed a 15-year renewal lease with its existing tenant, the Secretary of State for Housing, Communities and Local Government. The agreement documents the increase of rental income from the property by 30% as well as providing for five-yearly open market rent reviews and a tenant break option at year 10. The tenant intends to carry out a full refurbishment of the property over coming weeks requiring no capital payment by the Company either by way of refurbishment cost or capital incentive to the tenant. In addition, no rent free incentive has been granted to the tenant. Throughout its hold period the Company has so far received a net income yield from the asset in excess of 9% per annum against its purchase price of £5.4 million.

Bessemer Road, Basingstoke – In July 2020, the Company completed a 5-year lease renewal at its 58,000 sq ft industrial premises in Basingstoke. The lease has been granted with no rent free incentive given to the tenant and secures a rental income to the Company 6% ahead of independent valuer's estimated levels. The tenant has the benefit of a break option in year 3.

Langthwaite Grange Industrial Estate, South Kirkby – During August 2020, a lease renewal was signed with the Company's third largest tenant, Ardagh Glass. Rent payable under the new lease has been agreed 13% ahead of both independent valuer's estimated levels and the previous level of passing rent. The lease is for a five-year term and the tenant will benefit from four months' rent free and a tenant break option after three years.

Clarke Road, Milton Keynes and Moorside Road, Swinton – Nationwide Crash Repair Centres Limited, the tenant of this asset, which comprises 2% of the Company's annual rental income, appointed administrators on 3 September 2020 although subsequently, on 4 September 2020, the business was acquired by Redde Northgate Plc. Redde Northgate have confirmed that they intend to operate the Milton Keynes branch, the larger of the two within AEWU ownership, and negotiations are currently underway to extend the terms of this lease which should prove to be value accretive to the Company. Redde Northgate is a substantial and well capitalised business reporting profit before tax of over £60 million for the year ending 30 April 2019. The former Swinton branch of Nationwide Crash Repair Centres, representing 0.8% of the Company's annual rental income, will not be operated by Redde Northgate on an ongoing basis, however interest has already been received from a prospective new tenant.

Apollo Business Park, Basildon – During September 2020, the Company completed a 5-year lease renewal on 35,300 sq ft of these multi-let industrial premises in Basildon. The lease secures a rental income to the Company 4% ahead of independent valuer's estimated levels and 30% ahead of the previous rental level. The tenant will benefit from 6 months' rent free.

Wheeler Gate, Nottingham – In September 2020, a 5-year renewal lease was completed with Costa Coffee on a 1,400 sq ft retail unit located in central Nottingham. The reversionary lease documents the rebasing of Costa's rent from £110,000 to £52,000 per annum in line with its estimated rental value. The tenant benefits from 9 months' rent free.

Bath Street, Glasgow – During October 2020, the Company exchanged contracts to sell its 85,000 sq ft office holding at 225 Bath Street in Glasgow city centre to a subsidiary company of IQ Student Accommodation. The transaction is conditional upon various matters including the grant of planning permission for the development of a 480 bedroom student housing development. Sale pricing will be determined following the approval of all conditions according to an agreed matrix ranging from £8.55 to £9.30 million. Transaction pricing reflects 98% of pricing levels being discussed by the parties prior to the onset of the COVID-19 pandemic.

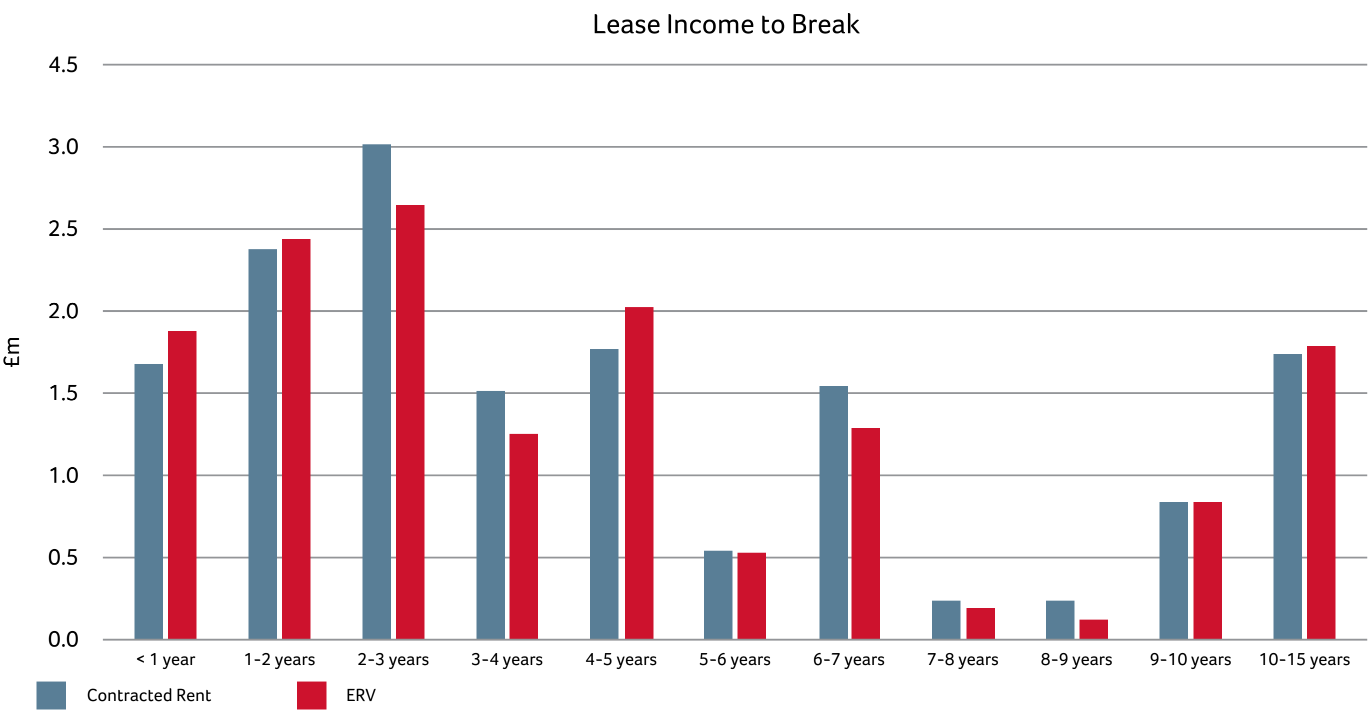
Investment Manager's Report *(continued)*

Bank Hey Street, Blackpool – The Company has begun to undertake remedial works to its property in Blackpool, which include the overhaul and reinstatement of its cathodic protection system, and comprehensive repairs to faience elevations and windows. Works have been budgeted at a total cost to the Company of £1.7 million over two years. The nature of these repair works means that as the costs are incurred, they will be expensed to the Company's profit or loss, with a corresponding increase expected to be seen in the revaluation of the property, all else being equal.

Weston Super Mare – Post period end, the Company acquired the multi-let Westlands Distribution Park in Weston Super Mare for a purchase price of £5.4 million. The purchase price reflects a low capital value of £175,000 per acre which provides strong potential for future capital value growth based upon nearby comparable land transactions which range between £350,000 and £500,000 per acre for other commercial and residential uses. The estate, located 3 miles from the M5 Motorway, provides a net initial yield of 6.4% which is expected to increase to at least 7.4% within the medium term. The average passing rent of £1.50 per sq ft also provides strong potential for rental growth. Tenants include North Somerset District Council who make up 30% of the income stream.

Vacancy – The portfolio's overall vacancy level now sits at 4.9%, excluding vacancy contributed by the asset at 225 Bath Street, Glasgow which, as discussed above, has now been exchanged for sale for alternative use redevelopment. As a condition of the sale agreement, full vacancy must be achieved in the building before the sale can be completed. Including this asset, overall vacancy is 8.21%.

Lease Expiry Profile



Approximately £1.68 million of the Company's current contracted income stream of £15.89 million is subject to an expiry or break within the 12 month period commencing 1 October 2020.

AEW UK Investment Management LLP

17 November 2020

Principal Risks and Uncertainties

The Company's assets consist primarily of UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also to the particular circumstances of the individual properties and the tenants within the properties.

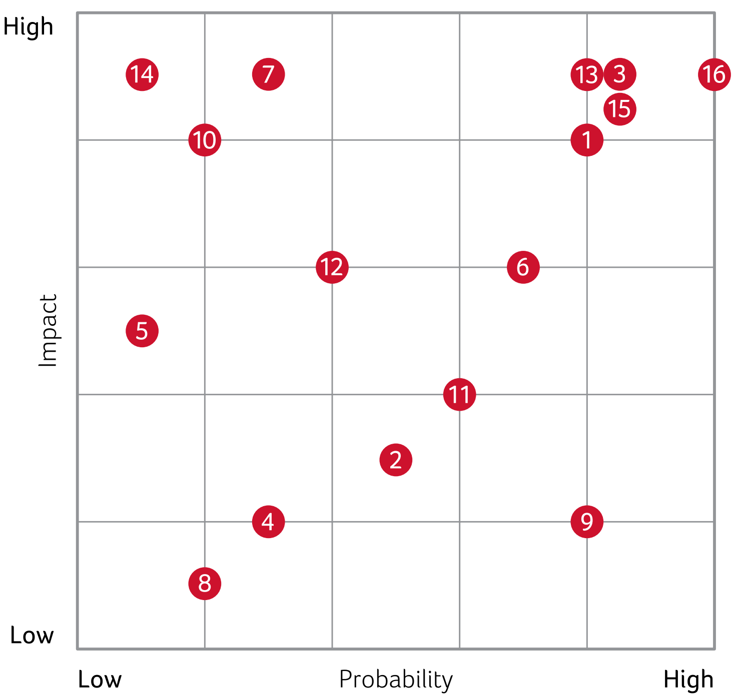
The Board has overall responsibility for reviewing the effectiveness of the system of risk management and internal control which is operated by the Investment Manager. The Company's ongoing risk management process is designed to identify, evaluate and mitigate the significant risks the Company faces.

At least twice a year, the Board undertakes a formal risk review with the assistance of the Audit Committee, to assess the adequacy and effectiveness of the Investment Manager and other service providers' risk management and internal control processes.

The Board has carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

An analysis of the principal risks and uncertainties is set out below. The risks below do not purport to be exhaustive as some risks are not yet known and some risks are currently not deemed material but could turn out to be material in the future. Changes to the principal risks since the date of the Annual Report and Financial Statements for the year ended 31 March 2020 are indicated on pages 16 to 20.

Principal Risks



Key

1. Property market
2. Property valuation
3. Tenant default
4. Asset management initiatives
5. Due diligence
6. Fall in rental rates
7. Breach of borrowing covenants
8. Interest rate rises (short term)
9. Interest rate rises (long term)
10. Availability and cost of debt
11. Use of service providers
12. Dependence on the Investment Manager
13. Ability to meet objectives
14. Company REIT status
15. General political/economic environment
16. COVID-19

The matrix above illustrates the Company's assessment of the impact and probability of the principal risks identified.

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
REAL ESTATE RISKS		
1. Property market		
Any property market recession or future deterioration in the property market could, inter alia, (i) cause the Company to realise its investments at lower valuations; and (ii) delay the timings of the Company's realisations. These risks could have a material adverse effect on the ability of the Company to achieve its investment objective.	The Company has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk.	**Probability:** High **Impact:** High **Movement:** No change
2. Property valuation		
Property and property-related assets are inherently difficult to value due to the individual nature of each property. There may be an adverse effect on the Company's profitability, the NAV and the price of Ordinary Shares in cases where properties are sold whose valuations have previously been materially overstated.	The Company uses an independent external valuer (Knight Frank LLP) to value the properties at fair value in accordance with accepted RICS appraisal and valuation standards.	**Probability:** Moderate **Impact:** Low to Moderate **Movement:** Decrease
3. Tenant default		
Failure by tenants to fulfill their rental obligations could affect the income that the properties earn and the ability of the Company to pay dividends to its shareholders.	Comprehensive due diligence is undertaken on all new tenants. Tenant covenant checks are carried out on all new tenants where a default would have a significant impact. Asset management team conducts ongoing monitoring and liaison with tenants to manage potential bad debt risk.	**Probability:** High **Impact:** High **Movement:** No change
4. Asset management initiatives		
Asset management initiatives, such as refurbishment works, may prove to be more extensive, expensive and take longer than anticipated. Cost overruns may have a material adverse effect on the Company's profitability, the NAV and the share price.	Costs incurred on asset management initiatives are closely monitored against budgets and reviewed in regular presentations to the Investment Management Committee of the Investment Manager.	**Probability:** Low to Moderate **Impact:** Low to Moderate **Movement:** Increase

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
REAL ESTATE RISKS *(continued)*		
5. Due diligence		
Due diligence may not identify all the risks and liabilities in respect of an acquisition (including any environmental, structural or operational defects) that may lead to a material adverse effect on the Company's profitability, the NAV and the price of the Company's Ordinary Shares.	The Company's due diligence relies on work (such as legal reports on title, property valuations, environmental and building surveys) outsourced to third parties who have expertise in their areas. Such third parties have professional indemnity cover in place.	**Probability:** Low **Impact:** Moderate **Movement:** No change
6. Fall in rental rates		
Rental rates may be adversely affected by general UK economic conditions and other factors that depress rental rates, including local factors relating to particular properties/ locations (such as increased competition). Any fall in the rental rates for the Company's properties may have a material adverse effect on the Company's profitability, the NAV, the price of the Ordinary Shares and the Company's ability to meet interest and capital repayments on any debt facilities.	The Company builds a diversified property and tenant base with subsequent monitoring of concentration to individual occupiers (top 10 tenants) and sectors (geographical and sector exposure). The Investment Manager holds quarterly meetings with its Investment Strategy Committee and regularly meets the Board of Directors to assess whether any changes in the market present risks that should be addressed in the Company's strategy.	**Probability:** Moderate to High **Impact:** Moderate to High **Movement:** No change
FINANCIAL RISKS		
7. Breach of borrowing covenants		
The Company has entered into a term credit facility. Material adverse changes in valuations and net income may lead to breaches in the LTV and interest cover ratio covenants.	The Company monitors the use of borrowings on an ongoing basis through weekly cash flow forecasting and quarterly risk monitoring to monitor financial covenants.	**Probability:** Low to Moderate **Impact:** High **Movement:** No change
8. Interest rate rises (short term)		
The Company's borrowings through a term credit facility are subject to interest rate risk through changing LIBOR rates. Any increases in LIBOR rates may have an adverse effect on the Company's ability to pay dividends.	The Company uses interest rate caps on a significant notional value of the loan to mitigate the adverse impact of possible interest rate rises. The Investment Manager and Board of Directors monitor the level of hedging and interest rate movements to ensure that the risk is managed appropriately.	**Probability:** Low to Moderate **Impact:** Low **Movement:** Decrease

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
FINANCIAL RISKS *(continued)*		
9. Interest rate rises (long term)		
The Company's borrowings through a term credit facility are subject to interest rate risk through changing LIBOR rates. Any increases in LIBOR rates may have an adverse effect on the Company's ability to pay dividends.	The Company uses interest rate caps on a significant notional value of the loan to mitigate the adverse impact of possible interest rate rises. The Investment Manager and Board of Directors monitor the level of hedging and interest rate movements to ensure that the risk is managed appropriately.	**Probability:** High **Impact:** Low to Moderate **Movement:** Increase
10. Availability and cost of debt		
The term credit facility expires in October 2023. In the event that RBSi does not renew the facility, the Company may need to sell assets to repay the outstanding loan. Any increase in the financing costs of the facility on renewal would adversely impact on the Company's profitability.	The Company maintains a good relationship with the bank providing the term credit facility. The Company monitors the projected usage and covenants of the credit facility on a quarterly basis.	**Probability:** Low to Moderate **Impact:** High **Movement:** No change
CORPORATE RISKS		
11. Use of service providers		
The Company has no employees and is reliant upon the performance of third party service providers. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.	The performance of service providers in conjunction with their service level agreements is monitored via regular calls and face-to-face meetings and the use of key performance indicators, where relevant.	**Probability:** Moderate to High **Impact:** Moderate **Movement:** Increase

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment

CORPORATE RISKS *(continued)*

12. Dependence on the Investment Manager

Principal risks and their potential impact	How risk is managed	Risk assessment
The Investment Manager is responsible for providing investment management services to the Company. The future ability of the Company to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of the Investment Manager to retain its existing staff and/or to recruit individuals of similar experience and calibre.	The Investment Manager has endeavoured to ensure that the principal members of its management team are suitably incentivised.	**Probability:** Moderate **Impact:** Moderate to High **Movement:** No change

13. Ability to meet objectives

Principal risks and their potential impact	How risk is managed	Risk assessment
The Company may not meet its investment objective to deliver an attractive total return to shareholders from investing predominantly in a portfolio of smaller commercial properties in the United Kingdom. Poor relative total return performance may lead to an adverse reputational impact that affects the Company's ability to raise new capital.	The Company has an investment policy to achieve a balanced portfolio with a diversified asset and tenant base. The Company also has investment restrictions in place to limit exposure to potential risk factors. These factors mitigate the risk of fluctuations in returns.	**Probability:** High **Impact:** High **Movement:** No change

TAXATION RISKS

14. Company REIT status

Principal risks and their potential impact	How risk is managed	Risk assessment
The Company has a UK REIT status that provides a tax-efficient corporate structure. If the Company fails to remain a REIT for UK tax purposes, its profits and gains will be subject to UK corporation tax. Any change to the tax status or UK tax legislation could impact on the Company's ability to achieve its investment objectives and provide attractive returns to shareholders.	The Company monitors REIT compliance through the Investment Manager on acquisitions; the Administrator on asset and distribution levels; the Registrar and Broker on shareholdings and the use of third-party tax advisers to monitor REIT compliance requirements.	**Probability:** Low **Impact:** High **Movement:** No change

Principal Risks and Uncertainties *(continued)*

Principal risks and their potential impact	How risk is managed	Risk assessment
POLITICAL/ECONOMIC RISKS		
15. General political/economic environment		
Political and macroeconomic events present risks to the real estate and financial markets that affect the Company and the business of its tenants. The level of uncertainty that such events bring has been highlighted in recent times, most pertinently following the EU referendum vote (Brexit) in June 2016.	The Board considers the impact of political and macroeconomic events when reviewing strategy.	**Probability:** High **Impact:** High **Movement:** No change
16. COVID-19		
The economic disruption arising from the COVID-19 virus could impact rental income receipts from tenants, the ability to access funding at competitive rates, maintain the Company's dividend policy and its adherence to the HMRC REIT regime, particularly if the UK government restrictions are in place for a prolonged period.	The Investment Manager is in close contact with tenants. The Investment Manager has put in place social distancing measures as advised by the UK government. The Manager has maintained a close relationship with RBSi to ensure continuing dialogue around covenants.	**Probability:** High **Impact:** High **Movement:** Increase

Interim Management Report and Directors' Responsibility Statement

Interim Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal risks and uncertainties for the remaining six months of the financial year are set out in the Chairman's Statement on pages 2 to 4, the Investment Manager's Report on pages 8 to 14 and the Principal Risks and Uncertainties on pages 15 to 30.

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Mark Burton
Chairman

17 November 2020

Independent Review Report to AEW UK REIT plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 which comprises the Condensed Statement of Comprehensive Income, Condensed Statement of Changes in Equity, Condensed Statement of Financial Position, Condensed Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Matthew Williams
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

17 November 2020

Financial Statements

Condensed Statement of Comprehensive Income

for the six months ended 30 September 2020

	Notes	**Period from 1 April 2020 to 30 September 2020 (unaudited) £'000**	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Year ended 31 March 2020 (audited) £'000
Income				
Rental and other income	3	8,838	8,777	17,790
Property operating expenses	4	(1,933)	(509)	(1,326)
Net rental and other income		**6,905**	**8,268**	**16,464**
Other operating expenses	5	(971)	(1,004)	(1,992)
Operating profit before fair value changes		**5,934**	**7,264**	**14,472**
Change in fair value of investment properties	10	(3,328)	(2,407)	(9,444)
Realised gains on disposal of investment properties	10	3,670	44	44
Operating profit		**6,276**	**4,901**	**5,072**
Finance expense	6	(552)	(742)	(1,420)
Profit before tax		**5,724**	**4,159**	**3,652**
Taxation	7	-	–	–
Profit after tax		**5,724**	**4,159**	**3,652**
Other comprehensive income		-	–	–
Total comprehensive income for the period		**5,724**	**4,159**	**3,652**
Earnings per share (pence per share) (basic and diluted)	8	**3.61**	**2.74**	**2.40**

The notes on pages 27 to 42 form an integral part of these condensed financial statements.

Financial Statements

Condensed Statement of Changes in Equity

for the six months ended 30 September 2020

For the period 1 April 2020 to 30 September 2020 (unaudited)	Notes	**Share capital £'000**	**Share premium account £'000**	**Capital reserve and retained earnings £'000**	**Total capital and reserves attributable to owners of the Company £'000**
Balance as at 1 April 2020		**1,587**	**56,578**	**89,698**	**147,863**
Total comprehensive income		–	–	5,724	5,724
Dividends paid	9	–	–	(6,351)	(6,351)
Balance as at 30 September 2020		**1,587**	**56,578**	**89,071**	**147,236**

For the period 1 April 2019 to 30 September 2019 (unaudited)	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company £'000
Balance as at 1 April 2019		**1,515**	**49,770**	**98,171**	**149,456**
Total comprehensive income		–	–	4,159	4,159
Dividends paid	9	–	–	(6,062)	(6,062)
Balance as at 30 September 2019		**1,515**	**49,770**	**96,268**	**147,553**

For the year ended 31 March 2020 (audited)	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to owners of the Company £'000
Balance at 1 April 2019		**1,515**	**49,770**	**98,171**	**149,456**
Total comprehensive income		–	–	3,652	3,652
Ordinary shares issued		72	6,928	–	7,000
Share issue costs		–	(120)	–	(120)
Dividends paid	9	–	–	(12,125)	(12,125)
Balance as at 31 March 2020		**1,587**	**56,578**	**89,698**	**147,863**

The notes on pages 27 to 42 form an integral part of these condensed financial statements.

Financial Statements

Condensed Statement of Financial Position

as at 30 September 2020

	Notes	As at 30 September 2020 (unaudited) £'000	As at 30 September 2019 (unaudited) £'000	As at 31 March 2020 (audited) £'000
Assets				
Non-Current Assets				
Investment property	10	160,601	193,979	187,042
		160,601	**193,979**	**187,042**
Current Assets				
Receivables and prepayments	11	9,063	7,621	7,351
Other financial assets held at fair value	12	49	58	14
Cash and cash equivalents		13,357	2,012	9,873
		22,469	**9,691**	**17,238**
Held for sale assets				
Investment property held for sale	10	8,212	–	–
Total assets		**191,282**	**203,670**	**204,280**
Non-Current Liabilities				
Interest bearing loans and borrowings	13	(39,082)	(49,528)	(51,047)
Lease obligations	15	(635)	(636)	(635)
		(39,717)	**(50,164)**	**(51,682)**
Current Liabilities				
Payables and accrued expenses	14	(4,281)	(5,905)	(4,687)
Lease obligations	15	(48)	(48)	(48)
		(4,329)	**(5,953)**	**(4,735)**
Total Liabilities		**(44,046)**	**(56,117)**	**(56,417)**
Net Assets		**147,236**	**147,553**	**147,863**
Equity				
Share capital		1,587	1,515	1,587
Share premium account		56,578	49,770	56,578
Capital reserve and retained earnings		89,071	96,268	89,698
Total capital and reserves attributable to equity holders of the Company		**147,236**	**147,553**	**147,863**
Net Asset Value per share (pps)	8	**92.73**	**97.36**	**93.13**

The financial statements on pages 23 to 42 were approved by the Board of Directors on 17 November 2020 and were signed on its behalf by:

Mark Burton
Chairman
AEW UK REIT plc
Company number: 09522515

The notes on pages 27 to 42 form an integral part of these condensed financial statements.

Financial Statements

Condensed Statement of Cash Flows

for the six months ended 30 September 2020

	Period from 1 April 2020 to 30 September 2020 (unaudited) £'000	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Year ended 31 March 2020 (audited) £'000
Cash flows from operating activities			
Profit after tax	5,724	4,159	3,652
Adjustment for non-cash items:			
Finance expenses	552	742	1,420
Loss from change in fair value of investment property	3,328	2,407	9,444
Realised gains on disposal of investment property	(3,670)	(44)	(44)
Increase in other receivables and prepayments	(1,573)	(3,152)	(2,882)
(Decrease)/Increase in other payables and accrued expenses	(463)	2,640	1,424
Net cash generated from operating activities	**3,898**	**6,752**	**13,014**
Cash flows from investing activities			
Purchase of and additions to investment property	(106)	(257)	(358)
Proceeds of disposal of investment property	18,676	44	44
Net cash generated from/(used in) investing activities	**18,570**	**(213)**	**(314)**
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	–	–	7,000
Share issue costs	–	–	(120)
Loan draw down	–	–	1,500
Loan repayment	(12,000)	–	–
Arrangement loan facility fee paid	(13)	–	(39)
Premiums for interest rate caps	(63)	–	–
Finance costs	(557)	(596)	(1,174)
Dividends paid	(6,351)	(6,062)	(12,125)
Net cash flow used in financing activities	**(18,984)**	**(6,658)**	**(4,958)**
Net increase/(decrease) in cash and cash equivalents	3,484	(119)	7,742
Cash and cash equivalents at start of the period/year	9,873	2,131	2,131
Cash and cash equivalents at end of the period/year	**13,357**	**2,012**	**9,873**

The notes on pages 27 to 42 form an integral part of these condensed financial statements.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

1. Corporate information

AEW UK REIT plc (the 'Company') is a closed ended Real Estate Investment Trust ('REIT') incorporated on 1 April 2015 and domiciled in the UK.

2. Accounting policies

2.1 Basis of preparation

These interim condensed unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and should be read in conjunction with the Company's last financial statements for the year ended 31 March 2020. These condensed unaudited financial statements do not include all information required for a complete set of financial statements proposed in accordance with IFRS as adopted by the EU ('EU IFRS'). However, selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Company's financial position and performance since the last financial statements.

The financial information contained in this Interim Report and Financial Statements for the six months ended 30 September 2020 and the comparative information for the year ended 31 March 2020 does not constitute statutory accounts as defined in sections 435(1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020 have been delivered to the Registrar of Companies. The Auditor reported on those accounts. Its report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

A review of the interim financial information has been performed by the Auditor of the Company for issue on 17 November 2020.

The comparative figures disclosed in the condensed unaudited financial statements and related notes have been presented for both the six month period ended 30 September 2019 and year ended 31 March 2020 and as at 30 September 2019 and 31 March 2020.

These condensed unaudited financial statements have been prepared under the historical-cost convention, except for investment property and interest rate derivatives that have been measured at fair value. The condensed unaudited financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The Company is exempt by virtue of section 402 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information solely about the Company as an individual undertaking.

New standards, amendments and interpretations

There were a number of new standards and amendments to existing standards which are required for the Company's accounting periods beginning after 1 April 2020, which have been considered and applied. These being:

- Amendments to IFRS 3 "Business Combinations", definition of a business
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", definition of material
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Company has applied the new standards and there has been no impact on the financial statements.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

2. Accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

As a result of COVID-19 there was an amendment to IFRS 16, Leases, for COVID-19 related rent concessions. The amendment to the standard has been considered, however at the reporting date had not been required to be applied.

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2021 or later. The Company has not early adopted any of these new or amended standards as the impact of the adoption is not considered to be significant.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with IAS 34 requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

i) Valuation of investment property

The Company's investment property is held at fair value as determined by the independent valuer on the basis of fair value in accordance with the internationally accepted Royal Institution of Chartered Surveyors ('RICS') Appraisal and Valuation Standards.

2.3 Segmental information

The Board of Directors retains overall control of the Company but the Investment Manager (AEW UK Investment Management LLP) has certain authorities and fulfils the function of allocating resource to, and assessing the performance of the Company's operating segments and is therefore considered to be the Chief Operating Decision Maker ('CODM'). In accordance with IFRS 8, the Company considers each of its properties to be an individual operating segment. The CODM allocates resources, and reviews the performance of, the Company's portfolio on a property-by-property basis and discrete financial information is available for each individual property.

These operating segments have similar economic characteristics and, as such, are aggregated into one reporting segment, being investment in property and property-related investments in the UK.

2.4 Going concern

The Directors assessed the Company's ability to continue as a going concern, which takes into consideration the uncertainty surrounding the outbreak of COVID-19, as well as the Company's cash flows, financial position, liquidity and borrowing facilities.

In that assessment the Directors' considered that the Company benefits from a diversified income stream from numerous tenants and sectors, which reduces risk. They also noted that:

- The Company's rent collection has been strong with at least 90% of contracted rent either collected – or payment plans agreed – for each of the March, June and September 2020 quarters. Based on the contracted rent as at 30 September 2020, a reduction of 64% could be accommodated before breaching the interest cover ratio (ICR) covenant in the Company's debt arrangements;
- Based on the property valuation at 30 September 2020, the Company had room for a £59m fall in valuations before reaching the maximum Loan to Value (LTV) covenant in the Company's debt arrangements. If certain conditions are met, a further £16m fall in values could be accommodated.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

2. Accounting policies *(continued)*

2.4 Going concern *(continued)*

Finally, the Directors' note that the Company's cash flow can also be significantly managed through the adjustment of dividend payments.

Taking this into consideration, the Directors have reviewed a number of scenarios over 12 months, including a severe but plausible downside scenario which makes the following assumptions:

- A reduction in rental income of 45% and collection of 70% of those rents on the quarter date, with remaining collection deferred for three quarters;
- No new lettings or renewals, other than those where terms have already been agreed; and
- A 15% fall in property valuations.

Given the Company's financial position and headroom on covenants then even in this severe scenario, the Directors do not consider there are any material uncertainties in relation to the Company's ability to meets its liabilities as they fall due and continue in operation for a period of 12 months from the date of approval of these financial statements. They therefore consider the going concern basis adopted in the preparation of the interim financial statements is appropriate.

2.5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied within the Company's Annual Report and Financial Statements for the year ended 31 March 2020 except for the changes as detailed in note 2.1.

3. Revenue

	Period from 1 April 2020 to 30 September 2020 (unaudited) £'000	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Year ended 31 March 2020 (audited) £'000
Gross rental income	8,124	8,777	17,418
Service charge income	674*	–	–
Dilapidation income	40	–	372
Total rental and other income	**8,838**	**8,777**	**17,790**

Gross rental income includes adjustment for the effect of any incentives agreed.

* For the current period, service charge income has been presented gross to reflect the Company's role as principal in its agreements with tenants. In comparative periods, they have been presented net, however the difference in presentation is considered to be immaterial.

Notes to the Condensed Financial Statements
for the six months ended 30 September 2020

4. Property operating expenses

	Period from 1 April 2020 to 30 September 2020 (unaudited) £'000	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Year ended 31 March 2020 (audited) £'000
Recoverable service charge expense	674*	–	–
Non-recoverable service charge expense	601#	143	436
Other property operating expenses	658	366	890
Total property operating expenses	**1,933**	**509**	**1,326**

* For the current period, recoverable service charge expenditure has been presented gross to reflect the Company's role as principal in its agreements with tenants. In comparative periods, they have been presented net, however the difference in presentation is considered to be immaterial.

Of the c. £601,000 non-recoverable service charge expenditure c. £394,000 relates to Bank Hey Street, Blackpool which includes costs relating to the remedial works as detailed in the Investment Manager's Report.

5. Other operating expenses

	Period from 1 April 2020 to 30 September 2020 (unaudited) £'000	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Year ended 31 March 2020 (audited) £'000
Investment management fee	579	665	1,308
Audit fee	30	24	82
ISRE 2410 review (interim review fee)	25	24	24
Operating costs	289	230	463
Directors' remuneration	48	61	115
Total other operating expenses	**971**	**1,004**	**1,992**

6. Finance expense

	Period from 1 April 2020 to 30 September 2020 (unaudited) £'000	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Year ended 31 March 2020 (audited) £'000
Interest payable on loan borrowings	438	556	1,108
Amortisation of loan arrangement fee	49	53	110
Commitment fee payable on loan borrowings	37	29	54
	524	638	1,272
Change in fair value of interest rate derivatives	28	104	148
Total	**552**	**742**	**1,420**

7. Taxation

	Period from 1 April 2020 to 30 September 2020 (unaudited) £'000	Period from 1 April 2019 to 30 September 2019 (unaudited) £'000	Year ended 31 March 2020 (audited) £'000
Analysis of charge in the period			
Profit before tax	5,724	4,159	3,652
Theoretical tax at UK corporation tax standard rate of 19% (30 September 2019: 19%; 31 March 2020: 19%)	1,088	790	694
Adjusted for:			
Exempt REIT income	(1,023)	(1,239)	(2,488)
Non taxable investment losses/(gains)	(65)	449	1,794
Total	**–**	**–**	**–**

Notes to the Condensed Financial Statements
for the six months ended 30 September 2020

8. Earnings per share and NAV per share

	Period from 1 April 2020 to 30 September 2020 (unaudited)	Period from 1 April 2019 to 30 September 2019 (unaudited)	Year ended 31 March 2020 (audited)
Earnings per share:			
Total comprehensive income (£'000)	5,724	4,159	3,652
Weighted average number of shares	158,774,746	151,558,251	152,208,919
Earnings per share (basic and diluted) (pence)	**3.61**	**2.74**	**2.40**
EPRA earnings per share:			
Total comprehensive income (£'000)	5,724	4,159	3,652
Adjustment to total comprehensive income:			
Change in fair value of investment property (£'000)	3,328	2,407	9,444
Realised gain on disposal of investment property (£'000)	(3,670)	(44)	(44)
Change in fair value of interest rate derivatives (£'000)	28	104	148
Total EPRA earnings (£'000)	5,410	6,626	13,200
EPRA earnings per share (basic and diluted) (pence)	**3.41**	**4.37**	**8.67**
NAV per share:			
Net assets (£'000)	147,236	147,553	147,863
Ordinary Shares	158,774,746	151,558,251	158,774,746
NAV per share (pence)	**92.73**	**97.36**	**93.13**
EPRA NAV per share:			
Net assets (£'000)	147,236	147,553	147,863
Adjustments to net assets:			
Other financial assets held at fair value (£'000)	(49)	(58)	(14)
EPRA NAV (£'000)	147,187	147,495	147,849
EPRA NAV per share (pence)	**92.70**	**97.32**	**93.12**

Earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As at 30 September 2020, EPRA NNNAV was equal to IFRS NAV and as such a reconciliation between the two measures has not been presented.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

9. Dividends paid

Dividends paid during the period	**Period from 1 April 2020 to 30 September 2020 £'000**	Period from 1 April 2019 to 30 September 2019 £'000	Year ended 31 March 2020 £'000
Represents two/two/four interim dividends of 2.00 pps each	**6,351**	6,062	12,125

Dividends relating to the period	**Period from 1 April 2020 to 30 September 2020 £'000**	Period from 1 April 2019 to 30 September 2019 £'000	Year ended 31 March 2020 £'000
Represents two/two/four interim dividends of 2.00 pps each	**6,351**	6,062	12,269

Dividends paid relate to Ordinary Shares only.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

10. Investments

10.a) Investment property

	Period from 1 April 2020 to 30 September 2020 (unaudited) Investment properties freehold £'000	Investment properties leasehold £'000	Total £'000	Period from 1 April 2019 to 30 September 2019 (unaudited) Total £'000	Year ended 31 March 2020 (audited) Total £'000
UK Investment property					
As at beginning of period	147,400	41,900	189,300	197,605	197,605
Purchases and capital expenditure in the period	106	–	106	257	358
Disposals in the period	–	(15,006)	(15,006)	–	–
Revaluation of investment property	(4,901)	1,856	(3,045)	(1,812)	(8,663)
Valuation provided by Knight Frank	**142,605**	**28,750**	**171,355**	**196,050**	**189,300**
Adjustment to fair value for lease incentive debtor			(3,225)	(2,755)	(2,941)
Adjustment for lease obligations*			683	684	683
Total Investment property			**168,813**	**193,979**	**187,042**
Classified as:					
Investment property held for sale#			8,212	–	–
Investment property			160,601	193,979	187,042
			168,813	**193,979**	**187,042**
Change in fair value of investment property					
Change in fair value before adjustments for lease incentives			(3,045)	(1,812)	(8,663)
Adjustment for movement in the period:					
in value of lease incentive debtor			(283)	(595)	(781)
			(3,328)	**(2,407)**	**(9,444)**
Gains realised on disposal of investment property					
Net proceeds from disposals of investment property during the period			18,676	44	44
Fair value at beginning of period			(15,006)	–	–
Gains realised on disposal of investment property			**3,670**	**44**	**44**

* Adjustment in respect of minimum payment under head leases separately included as a liability within the Condensed Statement of Financial Position.

225 Bath Street, Glasgow, has been classified as held-for-sale as at 30 September 2020. Contracts to sell the property were exchanged post period-end, details of which can be found in Note 18 to the Financial Statements.

10. Investments *(continued)*

10.a) Investment property *(continued)*

Valuation of investment property

Valuation of investment property is performed by Knight Frank LLP, an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued.

The valuation of the Company's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards (incorporating the International Valuation Standards).

The determination of the fair value is based upon the income capitalisation approach. This approach involves applying capitalisation yields to current and future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and estimated rental values are based on comparable property and leasing transactions in the market using the valuer's professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details, capital values of fixtures and fittings, environmental matter and the overall repair and condition of the property.

In the annual report to 31 March 2020 the report of the valuer included a material valuation uncertainty clause due to COVID 19 and its unknown impact at that point in time. This valuation uncertainty clause had been removed for the valuation provided as at 30 September 2020.

10.b) Fair value measurement hierarchy

The following table provides the fair value measurement hierarchy for non-current assets:

Assets measured at fair value	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
30 September 2020				
Investment property	**–**	**–**	**168,813**	**168,813**
30 September 2019				
Investment property	–	–	193,979	193,979
31 March 2020				
Investment property	–	–	187,042	187,042

Explanation of the fair value hierarchy:

Level 1 – Quoted prices for an identical instrument in active markets;

Level 2 – Prices of recent transactions for identical instruments and valuation techniques using observable market data; and

Level 3 – Valuation techniques using non-observable data.

10. Investments *(continued)*

10.b) Fair value measurement hierarchy *(continued)*

There have been no transfers between Level 1 and Level 2 during either period, nor have there been any transfers in or out of Level 3.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

1) ERV

2) Equivalent yield

Increases/(decreases) in the ERV (per sq ft per annum) in isolation would result in a higher/(lower) fair value measurement. Increases/(decreases) in the yield in isolation would result in a lower/(higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement, categorised within Level 3 of the fair value hierarchy of the portfolio of investment property are:

Class	Fair value £'000	Valuation technique	Significant unobservable inputs	Range
30 September 2020				
Investment property	171,355	Income capitalisation	ERV Equivalent yield	£0.50 – £95.00 6.23% – 10.48%
30 September 2019				
Investment property	196,050	Income capitalisation	ERV Equivalent yield	£0.50 – £127.00 5.95% – 9.69%
31 March 2020				
Investment property	189,300	Income capitalisation	ERV Equivalent yield	£0.50 – £105.00 5.71% – 10.54%

Fair value per Knight Frank LLP.

Where possible, sensitivity of the fair values of Level 3 assets are tested to changes in unobservable inputs to reasonable alternatives.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property and investments held at the end of the reporting period.

With regards to both investment property and investments, gains and losses for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, prior to adjustment for rent free debtor and rent guarantee debtor, are recorded in profit and loss.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

10. Investments *(continued)*

10.b) Fair value measurement hierarchy *(continued)*

The tables below set out a sensitivity analysis for each of the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of investment property.

	Fair value	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000	£'000
Sensitivity Analysis		**+5%**	**-5%**	**+5%**	**-5%**
30 September 2020	**171,355**	**176,434**	**161,957**	**163,582**	**179,481**
30 September 2019	196,050	204,427	187,935	185,802	207,198
31 March 2020	189,300	197,146	180,075	179,906	199,956

	Fair value	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000	£'000
Sensitivity Analysis		**+10%**	**-10%**	**+10%**	**-10%**
30 September 2020	**171,355**	183,940	154,933	156,710	188,744
30 September 2019	196,050	213,858	179,153	178,444	217,351
31 March 2020	189,300	205,933	171,723	171,241	211,640

	Fair value	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000	£'000
Sensitivity Analysis		**+15%**	**-15%**	**+15%**	**-15%**
30 September 2020	**171,355**	191,497	147,893	150,433	199,087
30 September 2019	196,050	222,863	170,767	170,822	229,917
31 March 2020	189,300	214,777	163,364	163,327	224,687

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

11. Receivables and prepayments

	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000	31 March 2020 (audited) £'000
Receivables			
Rent debtor	3,469	2,789	2,579
Allowance for expected credit losses	(207)	(51)	(190)
Rent agent float account	2,056	1,363	1,486
Dilapidations receivable	69	–	372
Other receivables	368	481	115
	5,755	4,582	4,362
Rent free debtor	3,225	2,755	2,941
Prepayments	83	284	48
Total	**9,063**	**7,621**	**7,351**

The aged debtor analysis of receivables as follows:

	30 September 2020 £'000	30 September 2019 £'000	31 March 2020 £'000
Less than three months due	4,206	4,257	4,317
Between three and six months due	1,549	325	45
Total	**5,755**	**4,582**	**4,362**

12. Interest rate derivatives

	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000	31 March 2020 (audited) £'000
At the beginning of the period	14	162	162
Interest rate cap premium paid	63	–	–
Changes in fair value of interest rate derivatives	(28)	(104)	(148)
At the end of the period	**49**	**58**	**14**

The Company is protected from a significant rise in interest rates as it currently has interest rate caps in effect with a combined notional value of £36.51 million (31 March 2020: £36.51 million), with £26.51 million capped at 2.50% and £10.00 million capped at 2.00%, resulting in the loan being 92% hedged (31 March 2020: 71%). These interest rate caps were effective until 19 October 2020. The Company has additional interest rate caps covering the remaining period of the loan from 20 October 2020 to 23 October 2023. During the period, the Company replaced its existing caps covering this period, which capped the interest rate at 2.00% on a notional value of £49.51 million, with new caps covering the same period capping the interest rate at 1.00% on a notional value of £51.50 million. The Company paid a premium of £62,968.

Fair Value hierarchy

The following table provides the fair value measurement hierarchy for interest rate derivatives:

	Assets measured at fair value			
Valuation date	**Quoted prices in active markets (Level 1) £'000**	**Significant observable input (Level 2) £'000**	**Significant unobservable inputs (Level 3) £'000**	**Total £'000**
30 September 2020	**–**	**49**	**–**	**49**
30 September 2019	–	58	–	58
31 March 2020	–	14	–	14

The fair value of these contracts is recorded in the Condensed Statement of Financial Position as at the period end.

There have been no transfers between Level 1 and Level 2 during the period, nor have there been any transfers between Level 2 and Level 3 during the period.

Notes to the Condensed Financial Statements
for the six months ended 30 September 2020

13. Interest bearing loans and borrowings

	Bank borrowings drawn		
	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000	31 March 2020 (audited) £'000
At the beginning of the period	51,500	50,000	50,000
Bank borrowings drawn in the period	–	–	1,500
Bank borrowings repaid in the period	(12,000)	–	-
Interest bearing loans and borrowings	**39,500**	**50,000**	**51,500**
Unamortised loan arrangement fees	(418)	(472)	(453)
At the end of the period	**39,082**	**49,528**	**51,047**
Repayable between two and five years	39,500	50,000	51,500
Bank borrowings available but undrawn in the period	20,500	10,000	8,500
Total facility available	**60,000**	**60,000**	**60,000**

The Company has a £60.00 million (31 March 2020: £60.00 million) credit facility with RBSi of which £39.50 million (31 March 2020: £51.50 million) has been utilised as at 30 September 2020.

The Company has a target gearing of 35% Loan to NAV, which is the maximum gearing on drawdown under the terms of the facility. As at 30 September 2020, the Company's gearing was 26.83% Loan to NAV (31 March 2020: 34.83%).

Borrowing costs associated with the credit facility are shown as finance costs in note 6 to these financial statements.

14. Payables and accrued expenses

	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000	31 March 2020 (audited) £'000
Deferred income	2,835	3,312	2,906
Accruals	991	1,037	814
Other creditors	455	1,556	967
Total	**4,281**	**5,905**	**4,687**

Notes to the Condensed Financial Statements
for the six months ended 30 September 2020

15. Lease obligation as lessee

Leases as lessee are capitalised at the lease's commencement at the present value of the minimum lease payments. The present value of the corresponding rental obligations are included as liabilities.

The following table analyses the present value of the minimum lease payments under non-cancellable finance leases:

	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000	31 March 2020 (audited) £'000
Current	48	48	48
Non Current	635	636	635
Lease liabilities included in the Statement of Financial Position at 30 September 2020	**683**	**684**	**683**

16. Issued share capital

There was no change to the issued share capital during the period. The number of ordinary shares in issue and fully paid remains 158,774,746 of £1 each.

17. Transactions with related parties

As defined by IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

For the six months ended 30 September 2020, the Directors of the Company are considered to be the key management personnel. Directors' remuneration is disclosed in note 5.

The Company is party to an Investment Management Agreement with the Investment Manager, pursuant to which the Company has appointed the Investment Manager to provide investment management services relating to the respective assets on a day-to-day basis in accordance with their respective investment objectives and policies, subject to the overall supervision and direction of the Board of Directors.

Under the Investment Management Agreement, the Investment Manager receives a quarterly management fee which is calculated and accrued monthly at a rate equivalent to 0.9% per annum of NAV (excluding uninvested proceeds from fundraising).

During the period from 1 April 2020 to 30 September 2020, the Company incurred £578,821 (six months ended 30 September 2019: £665,344) in respect of investment management fees and expenses of which £304,595 was outstanding at 30 September 2020 (31 March 2020: £311,683).

Notes to the Condensed Financial Statements

for the six months ended 30 September 2020

18. Events after reporting date

Dividend

On 22 October 2020, the Board declared its second interim dividend of 2.00 pps in respect of the period from 1 July 2020 to 30 September 2020. The dividend payment will be made on 30 November 2020 to shareholders on the register as at 30 October 2020. The ex-dividend date was 29 October 2020.

The dividend of 2.00 pps was designated as an interim property income distribution ('PID'). Unless shareholders have elected to receive the PID gross, 20% tax will be deducted at source.

Property acquisitions

Post period-end, in November 2020, the Company acquired a warehouse asset in Weston-Super-Mare for a purchase price of £5.40 million.

Share buybacks

The Company's share capital consists of 158,774,746 Ordinary Shares, of which 350,000 are currently held by the Company as treasury shares. This reflects 350,000 Ordinary Shares having been bought back since the period end for a gross consideration of £262,995.

Bath Street, Glasgow

During October 2020, the Company exchanged contracts to sell its 85,000 sq ft office holding at 225 Bath Street in Glasgow city centre. The transaction is conditional upon various matters including the grant of planning permission for the development of a 480 bedroom student housing development. Sale pricing will be determined following the approval of all conditions according to an agreed matrix ranging from £8.55 million to £9.30 million. Due to these conditions, there is some uncertainty as to the date of completion of the transaction, but there is considered to be a high probability that the transaction will complete within 12 months of the balance sheet date and, as such, the property has been classified as held-for-sale in these financial statements.

EPRA Performance Measures

Detailed below is a summary table showing the EPRA performance measures of the Company

All EPRA performance measures have been calculated in line with EPRA Best Practices Recommendations Guidelines which can be found at www.epra.com.

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
1. EPRA Earnings Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	£5.41 million/3.41 pps EPRA earnings for the six month period ended 30 September 2020 (six month period ended 30 September 2019: £6.63 million/4.37 pps)
2. EPRA NAV NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	£147.19 million/92.70 pps EPRA NAV as at 30 September 2020 (At 31 March 2020: £147.85 million/ 93.12 pps)
3. EPRA NNNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt; and (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	£147.24 million/92.73 pps EPRA NNNAV as at 30 September 2020 (At 31 March 2020: £147.86 million/ 93.13 pps)
4.1 EPRA NIY Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	7.21% EPRA NIY as at 30 September 2020 (At 31 March 2020: 8.26%)
4.2 EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	8.39% EPRA 'Topped-Up' NIY as at 30 September 2020 (At 31 March 2020: 8.66%)
5. EPRA Vacancy Estimated Market Rental Value ('ERV') of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant, based on ERV.	8.21% EPRA vacancy as at 30 September 2020 (At 31 March 2020: 3.68%)

EPRA Performance Measures *(continued)*

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
6. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	27.15% EPRA Cost Ratio (including direct vacancy cost) as at 30 September 2020 (At 30 September 2019: 16.93%) 16.70% EPRA Cost ratio excluding direct vacancy costs as at 30 September 2020 (At 30 September 2019: 13.76%)
7. EPRA Capital Expenditure Property which has been held at both the current and comparative balance sheet dates for which there has been no significant development.	Is used to illustrate change in comparable capital values.	£0.11 million for the period ended 30 September 2020 (31 March 2020: £0.29 million)
8. EPRA Like-for-like Rental Growth Net income generated by assets which were held by the Company throughout both the current and comparable periods which there has been no significant development which materially impacts upon income.	Is used to illustrate change in comparable income values.	(£0.20 million)/(2.26%) for the period ended 30 September 2020 (31 March 2020: £0.29 million/1.71%)

EPRA Performance Measures *(continued)*

Calculation of EPRA NIY and ‘topped-up’ NIY

	30 September 2020 £’000
Investment property – wholly-owned	171,355
Allowance for estimated purchasers’ costs at 6.8%	11,652
Grossed-up completed property portfolio valuation (B)	**183,007**
Annualised cash passing rental income	14,144
Property outgoings	(955)
Annualised net rents (A)	**13,189**
Rent from expiry of rent-free periods and fixed uplifts	2,169
‘Topped-up’ net annualised rent (C)	**15,358**
EPRA NIY (A/B)	**7.21%**
EPRA ‘topped-up’ NIY (C/B)	**8.39%**

EPRA NIY basis of calculation

EPRA NIY is calculated as the annualised net rent, divided by the gross value of the completed property portfolio.

The valuation of grossed up completed property portfolio is determined by our external valuers as at 30 September 2020, plus an allowance for estimated purchasers’ costs. Estimated purchasers’ costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers’ assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA ‘topped-up’ NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts.

EPRA Performance Measures *(continued)*

Calculation of EPRA Vacancy Rate

	30 September 2020 £'000
Annualised potential rental value of vacant premises (A)	1,330
Annualised potential rental value for the completed property portfolio (B)	16,211
EPRA Vacancy Rate (A/B)	**8.21%**

Calculation of EPRA Cost Ratios

	30 September 2020 £'000
Administrative/operating expense per IFRS income statement	2,230
Less: ground rent costs	(33)
EPRA costs (including direct vacancy costs) (A)	**2,197**
Direct vacancy costs	(846)
EPRA costs (excluding direct vacancy costs) (B)	**1,351**
Gross rental income less ground rent costs (C)	**8,091**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**27.15%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**16.70%**

The Company has not capitalised any overhead or operating expenses in the accounting period disclosed above.

Only costs directly associated with the purchase or construction of properties as well as all subsequent value-enhancing capital expenditure are capitalised.

Company Information

Shareholder Enquiries

The register for the Ordinary Shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on +44 (0)370 707 1341 or email: web.queries@computershare.co.uk.

Changes of name and/or address must be notified in writing to the Registrar, at the address shown on page 48. You can check your shareholding and find practical help on transferring shares or updating your details at **www.investorcentre.co.uk**. Shareholders eligible to receive dividend payments gross of tax may also download declaration forms from that website.

Share Information

Ordinary £0.01 Shares	158,774,746
SEDOL Number	BWD2415
ISIN Number	GB00BWD24154
Ticker/TIDM	AEWU

The Company's Ordinary Shares are traded on the Main Market of the London Stock Exchange.

Annual and Interim Reports

Copies of the Annual and Interim Reports are available from the Company's website: www.aewukreit.com.

Provisional Financial Calendar

31 March 2021	Year end
June 2021	Announcement of annual results
September 2021	Annual General Meeting
30 September 2021	Half-year end
November 2021	Announcement of interim results

Dividends

The following table summarises the dividends declared in relation to the period:

	£
Interim dividend for the period 1 April 2020 to 30 June 2020 (payment made on 28 August 2020)	3,175,495
Interim dividend for the period 1 July 2020 to 30 September 2020 (payment to be made on 30 November 2020)	3,175,495
Total	6,350,990

Frequency of NAV publication:
The Company's NAV is released to the London Stock Exchange on a quarterly basis and is published on the Company's website.

Company Information *(continued)*

Independent Directors
Mark Burton (Non-executive Chairman)
Bimaljit ('Bim') Sandhu (Non-executive Director and Chairman of the Audit Committee)
Katrina Hart (Non-executive Director)

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Auditor
KPMG LLP
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Valuer
Knight Frank LLP
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London
W1U 8AN

Glossary

AIC	Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).
AIFMD	Alternative Investment Fund Managers Directive.
AIFM	Alternative Investment Fund Manager. The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD. The Company's AIFM is AEW UK Investment Management LLP.
Company	AEW UK REIT plc.
Company Secretary	Link Company Matters Limited.
Company Website	www.aewukreit.com
Contracted rent	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
Covenant strength	The strength of a tenant's financial status and its ability to perform the covenants in the lease.
DTR	Disclosure Guidance and Transparency Rules, issued by the FCA.
Direct vacancy costs	Property expenses that are directly related to the property including the following: rates/property taxes; service charge; insurance premiums; carbon tax; any other costs directly billed to the unit.
Earnings Per Share ('EPS')	Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.
EPC	Energy Performance Certificate.
EPRA	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
EPRA cost ratio (including direct vacancy costs)	The ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses.
EPRA cost ratio (excluding direct vacancy costs)	The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.
EPRA Earnings Per Share ('EPRA EPS')	Recurring earnings from core operational activities. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings.
EPRA NAV	NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.
EPRA NNNAV	EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
EPRA Net Initial Yield ('EPRA NIY')	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the fair value of the property, increased with (estimated) purchasers' costs.
EPRA Topped-Up Net Initial Yield	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).
EPRA Vacancy Rate	Estimated Market Rental Value of vacant space as a percentage of the ERV of the whole portfolio.
Equivalent Yield	The internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review or lease expiry. No future growth is allowed for.
Estimated Rental Value ('ERV')	The external valuer's opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Glossary *(continued)*

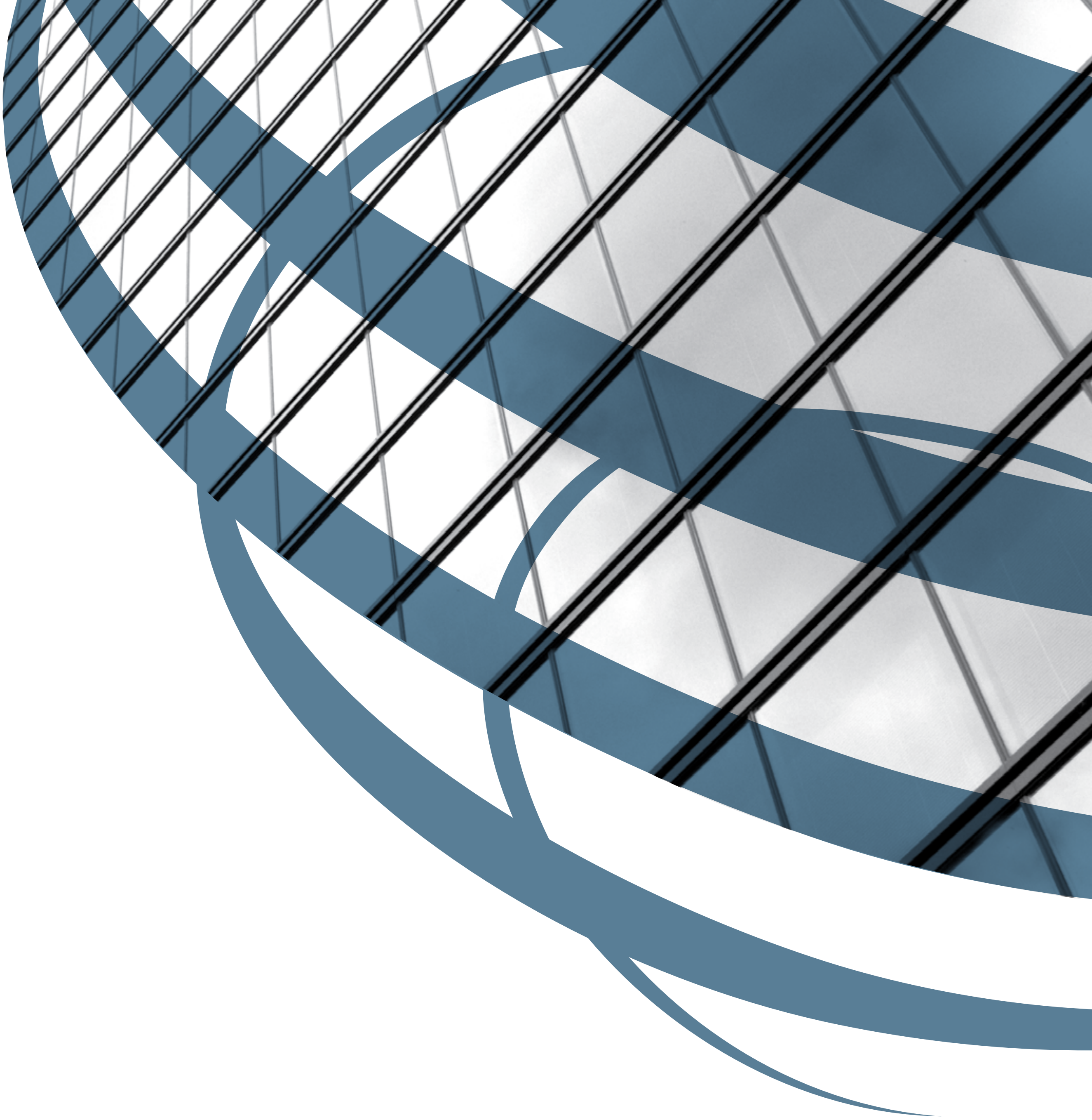
External Valuer	An independent external valuer of a property. The Company's External Valuer is Knight Frank LLP.
Fair value	The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.
Fair value movement	An accounting adjustment to change the book value of an asset or liability to its fair value.
FCA	The Financial Conduct Authority.
FRI lease	A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs.
Gross Asset Value	The aggregate value of the total assets of the Company as determined in accordance with IFRS.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards, as adopted by the European Union.
Investment Manager	The Company's Investment Manager is AEW UK Investment Management LLP.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
IPO	The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and admission of Ordinary Shares to the premium listing segment of the Official List on 12 May 2015.
Lease incentives	Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of the lease incentive is amortised through the Statement of Comprehensive Income on a straight-line basis until the lease expiry.
Lease Surrender	An agreement whereby the landlord and tenant bring a lease to an end other than by contractual expiry or the exercise of a break option. This will frequently involve the negotiation of a surrender premium by one party to the other.
LIBOR	The London Interbank Offered Rate, a globally accepted key benchmark interest rate that indicates borrowing between banks.
Like-for-like	The like-for-like valuation movement compares the valuation (as provided by the external valuer and before adjustments for lease incentives) of properties at the end of the period in question with the valuation at the start of the period. This measure only compares movements for those properties which were held at both the start and end of the period, so excludes the effects of acquisitions and disposals.
Loan to GAV (also Gross Loan to GAV)	The loan balance drawn expressed as a percentage of the combined value of the Company's investment property portfolio (as assessed by the valuer) and the Company's investments. Allows the user to assess the Company's gearing and is relevant, as this is the measure used under the Company's Investment Guidelines.
Leverage ('Loan to NAV')	The loan balance drawn expressed as a percentage of the Company's Net Asset Value. Allows the user to assess the Company's gearing and is relevant, as this is the measure tested the Company's borrowing covenant.
Loan to Value ('LTV')	The value of outstanding loans and borrowings (before adjustments for issue costs) expressed as a percentage of the combined valuation of the property portfolio (as provided by the valuer) and the fair value of other investments.
Net Asset Value ('NAV')	Net Asset Value is the equity attributable to shareholders calculated under IFRS.

Glossary *(continued)*

Net Asset Value per share	Equity shareholders funds divided by the number of ordinary shares in issue. This measure allows a comparison with the Company's share price to determine whether the Company's shares are trading at a premium or discount to its Net Asset Value calculated under IFRS.
Net Asset Value Total Return	The percentage change in NAV from the start of a period to the end of a period, assuming that dividends paid to shareholders are reinvested at NAV.
Net equivalent yield	Calculated by the Company's external valuers, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.
Net Initial Yield ('NIY')	The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Net Loan to GAV	Measure of gearing calculated as follows: (l-c)/v, where "l" is the loan balance drawn, "c" is the Company's cash and cash equivalents and "v" is the combined value of the Company's investment property portfolio (as assessed by the valuer) and the Company's investments. Allows the user to assess the potential effect on gearing of using the Company's cash to repay a portion of its loan balance.
Net rental income	Rental income receivable in the period after payment of ground rents and net property outgoings.
Non-PID	Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the Company.
Ongoing charges	A measure, expressed as a percentage of the NAV, of the regular, recurring costs of running an investment company which is calculated in line with AIC methodology.
Ordinary Shares	Ordinary Shares of £0.01 each in the capital of the Company. Ordinary Shares are the main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth.
Over-rented	Space where the passing rent is above the ERV.
Passing rent	The gross rent, less any ground rent payable under head leases.
PID	Property Income Distribution. A dividend received by a shareholder of the Company in respect of profits and gains of the tax exempt business of the Company.
Rack-rented	Space where passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation tax Act 2010. Subject to the continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
Reversion	Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV.
Reversionary yield	The anticipated yield, which the initial yield will rise (or fall) to once the rent reaches the ERV.
Share price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
Total returns	The returns to shareholders calculated on a per share basis by adding dividend paid in the period to the increase or decrease in the Share Price of NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.
Shareholder Total Return	The share price movement and dividends (pence per share) received during a period, expressed as a percentage of the opening share price for the period. Calculated as follows: (b-a+d)/a, where "a" is the opening share price, "b" is the closing share price and "d" is dividends per share.
Under-rented	Space where the passing rent is below the ERV.

Glossary *(continued)*

UK Corporate Governance Code	A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts.
Voids	The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.
Weighted Average Unexpired Lease Term ('WAULT')	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).
Yield compression	Occurs when the net equivalent yield of a property decreases, measured in basis points.



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