AEW UK REIT Plc (AEWU/The Company)

AEW

Quarterly Update

Q3 20

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

EPRA BPR GOLD

EPRA sBPR SILVER

GRESB 2019

Fund Highlights

- On 21 October the Company announced an Interim dividend of 2.00 pence per share for the three months ended 30 September 2020, in line with the targeted annual dividend of 8.00 pence per share.
- EPRA earnings per share ("EPRA EPS") for the quarter of 1.60 pence (30 June 2020: 1.81 pence).
- NAV of £147.24 million or 92.73 pence per share as at 30 September 2020 (30 June 2020: £148.24 million or 93.37 pence per share).
- NAV total return of 1.46% for the quarter (30 June 2020: 2.40%).
- For the rental quarter commencing on 29 September 2020, 88% of rent has been collected or is expected to be received under monthly payment plans prior to quarter end. A further 3% of income is expected to be received under agreed, longer term payment plans.
- The Company remains conservatively geared with a loan to NAV ratio of 26.83% (30 June 2020: 34.74%).
- As at 30 September 2020, the Company had a cash balance of £13.36 million and during the quarter, the Company repaid £12.00 million of the £60.00 million loan facility. The Company has £12.03 million of the facility available to draw up to the maximum 35% Loan to NAV at drawdown.
- The Company is delighted to announce that it has been awarded three awards this quarter; EPRA Gold for Financial Reporting, EPRA Silver for Sustainability Reporting, and EPRA most improved award for Sustainability Reporting.

Portfolio Managers' Comment

We are pleased to report robust NAV performance for the Company again this quarter and to announce an interim dividend of 2 pence per share for the quarter, especially given the backdrop of the ongoing pandemic. This demonstrates the strong fundamentals underlying the Company's portfolio including its high industrial weighting and focus on locations with a depth of tenant demand. Due to the Company's NAV resilience, high cash weighting and conservative debt exposure, during the quarter we decided to utilise some of the Company's available cash to increase EPS in order to build back towards full dividend cover following the profitable sale of Corby in May for £18.8 million. Post quarter end, the Company bought back 200,000 of its own Ordinary Shares for gross consideration of £153,000. In addition, we have identified a pipeline of both NAV and earnings accretive, direct purchase opportunities, some of which are well advanced and we expect to make further announcements in this respect during the coming quarter.

The Company's relatively stable NAV performance reflects the fact that many of the portfolio's assets benefit from viable alternative use potential which acts as a value stabiliser limiting downside risk and volatility. Seeking asset purchases where pricing is supported by either a higher or equal alternative use value has always been a feature of our stock selection process, and we expect to see an increasing number of opportunities such as these due to newly introduced changes to the national planning regime which increase flexibility of use. These changes include the introduction of Use Class E which groups together a number of previously disparately classified commercial property uses such as retail, office, light industrial and gyms, to allow greater ease of movement between them.

Elsewhere in the portfolio, it is encouraging to see our Asset Management team continue to drive value and income growth, having completed further new lettings this quarter, often securing income streams ahead of our independent valuer's estimate of rental value. Amongst these is a new 5 year lease to existing tenant Vink Holdings at the Apollo Business Park in Basildon, where rental income has been secured 4% ahead of the valuer's previous estimates, and 30% ahead of the previous rental level. The 6 new lettings completed in the portfolio since the start of UK wide lockdowns in March have secured rental income at a weighted average of 5% ahead of previous estimates. This can be attributed in part to both the portfolio's high weighting to the industrial and warehousing sector which has continued to provide opportunities to grow income, as well as the proactive approach taken by our team. Further new lettings and lease renewals are currently under offer which look set to continue this positive trend into future quarters.

In terms of rent collection in the portfolio, payment speed for the September quarter has increased from both the June and March quarters' collection rate. This is another encouraging sign for forthcoming quarters and proves that, on the whole, our tenants wish to return to normality as much as they can, including the usual payment of rent.

The Company owned investment properties with a fair value of £171.36 million. The like-for-like valuation decrease for the quarter of £0.14 million (0.08%) is broken down as below by sector.

Sector	Valuation 30 September 2020		Valuation movement for the quarter	
	£ million	%	£ million	%
Industrial	90.61	52.9	1.00	1.12
Office	45.85	26.7	-0.40	-0.86
Retail	21.90	12.8	-0.59	-2.60
Other	13.00	7.6	-0.15	-1.14
Total	171.36	100.0	-0.14	-0.08

Fund Facts

Portfolio Managers
Alex Short
and Laura Elkin

Investment Objective and Strategy
The Company exploits what it believes to be the compelling relative value opportunities offered by pricing inefficiencies in smaller commercial properties let on shorter occupational leases in strong commercial locations. The Company supplements this core strategy with active asset management initiatives to improve the quality of income streams and maximise value.

Launch date: 12 May 2015

Fund structure: UK Real Estate Investment Trust

SRI policy: Click here

Year end: 31 March

Fund size (Net Asset Value): £147.24m

Property valuation: £171.36m

Number of properties held: 34

Average lot size: £5.04m

Property portfolio net initial yield (% p.a.): 7.22%

Property portfolio reversionary yield: 8.27%

LTV (Net Asset Value): 26.83%

Average weighted unexpired lease term
To break: 5.0 years To expiry: 6.5 years

Occupancy: 95.1%* * As a % of ERV

Occupancy is stated excluding vacancy contributed by the asset at 225 Bath Street Glasgow (the overall level is 91.8% including this asset). This asset has now been exchanged for sale for alternative use redevelopment and as a condition of the sale agreement, full vacancy must be achieved in the building before the sale can be completed.

Number of tenants: 85

Share price as at 30 Sep: 75.2p
NAV per share: 92.73p
Premium/(discount) to NAV: (18.90%)

Shares in issue: 158.77m

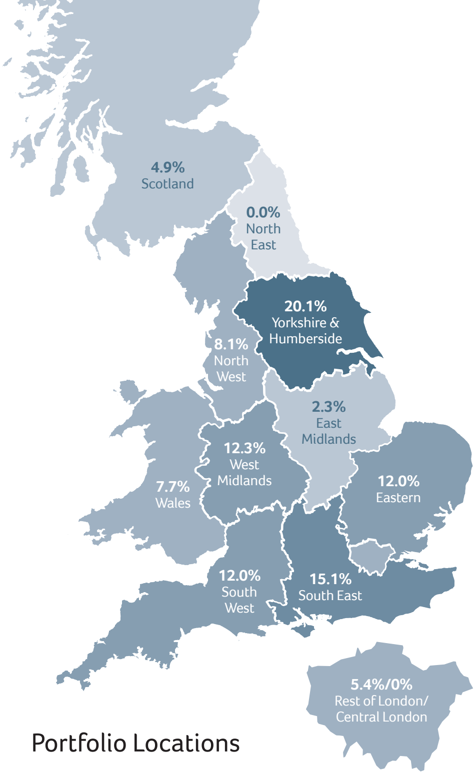
Market capitalisation: £119.40m

Annual management charge
0.9% per annum of invested NAV

Dividend target
The Directors will declare dividends taking into account the level of the Company's net income and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend of 8.00 pence per share. It remains the Company's intention to continue to pay future dividends in line with its dividend policy, however the outlook remains unclear given the current COVID-19 situation.

ISIN: GB00BWD24154 Broker: Liberum

Ticker: AEWU SEDOL: BWD2415



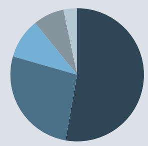
Portfolio Locations

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

Top 10 Assets (by value)

40 Queens Square, Bristol	6.6%
Eastpoint Business Park, Oxford	6.3%
Sandford House, Solihull	5.6%
London East Leisure Park, Dagenham	5.4%
Gresford Industrial Estate, Wrexham	5.3%
225 Bath Street, Glasgow	4.9%
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate, South Kirkby	4.6%
Lockwood Court, Leeds	4.3%
Storeys Bar Road, Peterborough	3.6%
Units 1001-1004 Sarus Court, Runcorn	3.5%

Sector Weightings



Industrial	52.9%
Offices	26.7%
Standard Retail	9.6%
Other	7.6%
Retail Warehouse	3.2%

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

Asset Management Update

Bath Street, Glasgow
Post quarter end the Company exchanged contracts to sell its 85,000 sq ft office holding to a subsidiary company of IQ Student Accommodation. Transaction pricing reflects 98% of pricing levels being discussed by the parties prior to the onset of the Coronavirus pandemic.

Bessemer Road, Basingstoke
During July, the Company completed a 5 year lease renewal at this 58,000 sq ft industrial premises. 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.

Langthwaite Grange Industrial Estate, South Kirkby
During August, 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.

Apollo Business Park, Basildon
During September, the Company completed a 5 year lease renewal on a 35,300 sq ft industrial premises. 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.

Clarke Road, Milton Keynes and Moorside Road, Swinton
Tenant Nationwide Crash Repair Centres Limited, making up 2% of the Company's rental income, appointed administrators on 3 September although, on 4 September, the business was acquired by Redde Northgate Plc. Redde Northgate have confirmed that they will operate the Milton Keynes branch providing a substantial and well capitalised tenant who reported profit before tax of over £60m. The former Swinton branch, representing 0.8% of the Company's rental income, will not be operated by Redde Northgate but alternative tenant interest has already been received.

Wheeler Gate, Nottingham
In September, a 5 year renewal lease was completed with Costa Coffee. The lease documents the rebasing of Costa's rent from £110,000 to £52,000 per annum in line with its estimated rental value.

Bank Hey Street, Blackpool
The Company has begun to undertake remedial works to its property in Blackpool. Works have been budgeted at a total cost to the Company of c. £1.7 million over two years. The works 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.

Key contact Investor Relations: Kari Clarke | kari.clarke@eu.aew.com | T: 020 7016 4804