

Quarterly Update

Q4 19

Fund Facts

Portfolio Manager
Alex Short



Investment Objective and Strategy

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

Launch date: 12 May 2015

Fund structure: UK Real Estate Investment Trust

Year end: 31 March

Fund size (Net Asset Value): £147.38m

Property valuation: £195.80m

Number of properties held: 35

Average lot size: £5.59m

Property portfolio net initial yield (% p.a.): 7.68%

Property portfolio reversionary yield: 7.79%

LTV (Gross Asset Value): 26.30%

Average weighted unexpired lease term

To break: 4.2 years **To expiry:** 5.6 years

Occupancy: 96.14%* * As a % of ERV

Number of tenants: 94

Share price as at 31 Dec: 99.4p

NAV per share: 97.24p **Premium/(discount) to NAV:** 2.22%

Shares in issue: 151.56m

Market capitalisation: £150.65m

Annual management charge: 0.9% per annum of invested NAV

Dividend target

The Directors will declare dividends taking into account the level of the Company's net income and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend of 8.00 pence per share. Based on current market conditions, the Company expects to pay an annualised dividend of 8.00 pence per share in respect of the financial period ending 31 March 2020.

ISIN: GB00BWD24154 **Broker:** Liberum

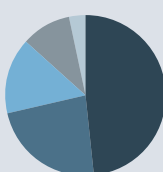
Ticker: AEWU **SEDOL:** BWD2415

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

Fund Highlights

- At 31 December 2019, the fair value independent valuation of the property portfolio was £195.80 million (30 September 2019: £196.05 million). On a like-for-like basis the valuation of the property portfolio decreased by £0.25 million (0.13%) over the quarter (30 September 2019: decrease of £0.51 million and 0.26%).
- NAV of £147.38 million or 97.24 pence per share (30 September 2019: £147.55 million or 97.36 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.18 pence per share (30 September 2019: 2.13 pence per share).
- EPRA occupancy 96.14%.
- The Company has announced an interim dividend of 2.00 pence per share for the three months ended 31 December 2019, in line with the targeted annual dividend of 8.00 pence per share.
- NAV total return of 1.93% for the three months ended 31 December 2019 (three months ended 30 September 2019: 1.52%).
- The Company remains conservatively geared with a gross loan to value ratio of 26.30% (30 September 2019: 25.50%).
- Share price total return of 20.67% for the 12 months ended 31 December 2019.

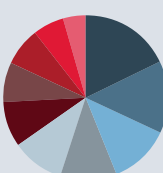
Sector Weightings



Industrial	48.4%
Offices	23.1%
Other	15.2%
Standard Retail	10.2%
Retail Warehouse	3.1%

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

Portfolio Locations



Yorkshire and Humberside	17.9%
South East	14.3%
Eastern	11.7%
South West	11.2%
West Midlands	10.2%
East Midlands	8.9%
North West	7.8%
Wales	7.5%
Rest of London	6.1%
Scotland	4.4%
Central London, North East, Northern Ireland	0.0%

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

UK REIT GRESB 2019

This year the Fund saw a further improvement in its GRESB score (from 50 in 2018 to 63 in 2019). The Fund achieved a GRESB rating of two stars and was also awarded the additional 'green star' status.

Investment Summary

The result of the UK general election on 13th December delivered a significant majority to the UK government for the first time in a decade, removing some of the political uncertainty which has prevailed for some time and leading to improved sentiment across the market. This is encouraging for the sector as a whole and positive for the Company. The Company's portfolio is well-positioned as we move into 2020 and we are seeing many exciting opportunities.

As manager, AEW UK Investment Management LLP is successfully executing the investment strategy, which has seen the Company's assets generate property level total returns of 6.69% over the 12 months to 30 September 2019 (being the most recent date for which benchmark data is available) from standing investments, an outperformance of 3.80% relative to the market (as measured by the MSCI/AREF UK PFI Balanced Funds Quarterly Index). Over the 12 months to 31 December 2019 the Company has generated total shareholder returns of 20.67% and, has achieved a significant number of lettings ahead of estimated rental values.

The REIT has consistently paid out dividends of 8 pence per share per annum, making it one of the highest dividend yields among UK listed REITs. It has paid total dividends of 32.8 pence per share since IPO. Annualised total property returns since the Company's May 2015 IPO have been 10.89% up to 30 September 2019 on standing investments, an outperformance of 3.42% relative to the benchmark.

We are actively working on an exciting pipeline of potential acquisitions with a particular focus on the industrial and office sectors, which we believe will be accretive to the strategy both in terms of income but also in terms of long term value retention and creation opportunities. To that end, the Company intends to raise additional capital under its existing Placing Programme in the near future.

Through the December quarter valuation, the portfolio maintained value on the whole with a marginal decrease of 0.13%. Industrial and office performed well increasing by 1.01% and 2.03% respectively, however this was offset by a decrease in retail assets. Whilst the headwinds experienced by the retail sector are well publicised, the portfolio has a low vacancy rate (at 3.9%) amongst its assets and we have identified certain potential value creation opportunities which we are actively pursuing.

The like-for-like valuation decrease for the quarter of £0.25 million (0.13%) is detailed as follows by sector:

Sector	Valuation 31 December 2019	Valuation movement for the quarter	Valuation movement for the quarter
	£ million	£ million	%
Industrial	94.88	0.95	1.01
Office	45.25	0.90	2.03
Other	29.67	-0.35	-1.17
Retail	26.00	-1.75	-6.31
Total	195.80	-0.25	-0.13

Q4 Asset Management

Strong valuation uplift for the quarter came from the Company's office asset in Solihull where the Secretary of State for Communities and Local Government has agreed to take a new 15 year lease at an increased rental level with very limited capital cost to the REIT. This transaction is currently in solicitors' hands and is due to complete within the coming quarters, at which point we expect further valuation uplift.



The Manager's active asset management approach has led to 12 lettings being completed during the year to 31 December 2019 with annual headline income totalling £1.63m against an estimated rental value from independent valuers on these units of £1.49m. This shows income being achieved from new lettings at an average of 10% higher than expected.

10 largest assets	Location	Sector
Geddington Road, Corby	East Midlands	Other
40 Queens Square, Bristol	South West	Other offices
London East Leisure Park	Rest of London	Other
Eastpoint Business Park, Oxford	South East	Other offices
Gresford Industrial Estate, Wrexham	Wales	Industrial
225 Bath Street, Glasgow	Scotland	Other offices
Lockwood Court, Leeds	Yorkshire and Humberside	Industrial
Sandford House	West Midlands	Other offices
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate, South Kirkby	Yorkshire and Humberside	Industrial
Wyndeham, Peterborough	Eastern	Industrial

As at 31 December 2019.

The management team



Richard Tanner, Managing Director – AEW UK



Alex Short, Portfolio Manager



Laura Elkin, Portfolio Manager

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