

AEW UK REIT plc (The Company) invests in and intensively asset manages a value-focused portfolio of high yielding commercial properties across the UK.



FUND HIGHLIGHTS

- NAV of £164.02 million or 103.53 pence per share as at 31 December 2023 (30 September 2023: £167.93 million or 106.00 pence per share).
- NAV total return of -0.44% for the quarter (30 September 2023 quarter: 0.91%).
- 1.59% like-for-like valuation decrease for the quarter (30 September 2023 quarter: 0.70% increase).
- EPRA earnings per share ("EPRA EPS") for the quarter of 1.83 pence (30 September 2023 quarter: 1.84 pence).
- Earnings constrained by 0.28 pence per share due to two tenants entering administration: Wilko at Union Street, Bristol, and CJ Services at Sarus Court, Runcorn.
- Interim dividend of 2.00 pence per share for the three months ended 31 December 2023, paid for 33 consecutive quarters and in line with the targeted annual dividend of 8.00 pence per share.
- Loan to NAV ratio at the quarter end was 36.58% (30 September 2023: 35.73%). Significant headroom remains on all loan covenants.
- Company continues to benefit from a low fixed cost of debt of 2.959% until May 2027.
- Disposal of Commercial Road, Portsmouth, for £3.90 million.
- £253,656 of additional income secured from three settled rent reviews, as well as a turnover top-up rent.

PORTFOLIO MANAGER'S COMMENTARY

We are pleased to report relatively stable earnings for the third consecutive quarter, as the Company's programme of investing capital in high yielding assets in core urban locations, combined with asset management transactions, continues to sustain income streams and mitigate void costs. Earnings have been maintained by several key rent reviews settled during the quarter, most notably at both of the Company's more recently acquired assets in Bath. Upcoming lease events, in particular at Central Six Retail Park in Coventry, should enhance earnings going forward.

EPRA earnings per share have been negatively impacted by 0.28 pence due to two tenants entering administration during the period, without which the Company's dividend would have been fully covered by earnings this quarter. The Company's portfolio saw a like-for-like valuation decrease of 1.59% during the quarter, symptomatic of subdued deal flow

in the UK commercial property investment market. Despite our recent asset management achievements, we remain cognisant of the economic backdrop and its cumulative effect on occupational markets.

The Company has committed to pay its market-leading dividend of 2.00 pence per share this quarter, which we have now paid for 33 consecutive quarters. This has been funded largely by EPRA earnings, which continues to be supplemented by profit crystallised on the NAV accretive sale of assets in prior quarters.

Valuation movements

As at 31 December 2023, the Company owned investment properties with a total fair value of £212.04 million, as assessed by the Company's independent valuer, Knight Frank. The like-for-like valuation decrease for the quarter of £3.42 million (1.59%) is broken down as follows by sector:

INVESTMENT UPDATE

Commercial Road, Portsmouth (high-street retail)

In October, the Company completed the sale of its freehold high-street retail holding at 208-220 Commercial Road and 7-13 Crasswell Street, Portsmouth, for £3,900,000, reflecting a net initial yield of 9.9% and a capital value of £251 per sq ft.

No purchases were made during the quarter.



SECTOR	VALUATION 31 DECEMBER 2023		LIKE-FOR-LIKE VALUATION MOVEMENT FOR THE QUARTER	
	£ million	%	£ million	%
Industrial	77.52	36.56	-0.81	-1.03
Office	25.60	12.07	-0.65	-2.48
High Street Retail	33.85	15.97	-0.41	-1.20
Retail Warehouses	45.95	21.67	-0.30	-0.65
Leisure	29.12	13.73	-1.25	-6.14
Total	212.04	100.00	-3.42	-1.59*

*This is the overall weighted average like-for-like valuation decrease of the portfolio.

ASSET MANAGEMENT

The Company completed the following asset management transactions during the quarter:

1. Northgate House, Bath (retail)

The Company has settled Bath Northgate House Centre Limited's (The Regus Group) outstanding 2022 rent review at £491,400 per annum (£26.98 per sq ft), representing an increase of £96,811 per annum (circa 25%).

2. Cambridge House, Bath (office)

Following arbitration, the Company has settled Novia Financial plc's outstanding 2021 rent review at £362,400 per annum (£21.96 per sq ft), representing an increase of £44,775 per annum (circa 14%).

3. Next, Bromley (retail)

The Company has agreed Next's annual turnover top-up rent for the year to 28 September 2023 at £195,505, in addition to the base rent of £350,000 per annum. This is £85,505 per annum (circa 78%) higher than what was forecast when the property was purchased in November 2022.

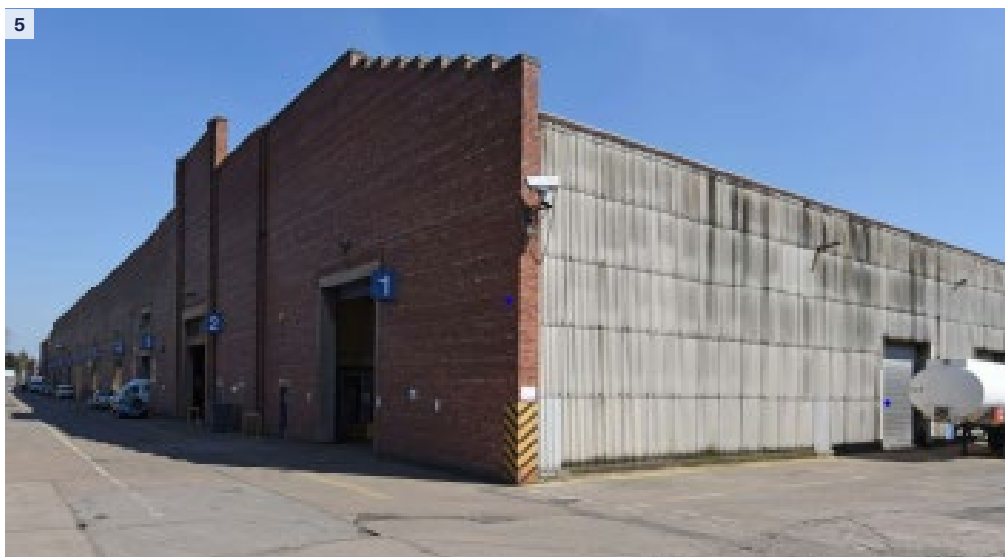
4. Central Six Retail Park, Coventry (retail warehousing)

The Company has exchanged an agreement for lease with a new tenant, Salvation Army Trading Company Ltd, for Unit 12. The tenant will enter into a new lease expiring on 2 November 2032 with a tenant only break in year 5 at a rent of £140,000 per annum, reflecting £13.97 per sq ft. The letting includes nine months' rent free. The letting is subject to the landlord securing vacant possession (now secured), as the unit was occupied by Oak Furnitureland, who were paying an annual rent of £25,000 per annum, and carrying out Landlord works at a contract cost of £79,178, plus fees.

The Company has also exchanged an agreement for lease with new tenant Whitecross Dental Care Limited, trading as MyDentist, for vacant Unit 4. The tenant will enter into a new 15-year lease with a 10-year tenant break option, at a rent of £145,000 per annum, reflecting £14.29 per sq ft, to be reviewed every five years based on open market value (upward only). The letting includes a £217,500 cash incentive and is subject to landlord works at a contract cost of £213,394, plus fees. Post quarter end, the letting subsequently completed.

5. Diamond Business Park, Wakefield (industrial)

The Company has settled Economy Packaging Ltd's rent review at £79,065 per annum (£3.75 per sq ft), representing an increase of £26,565 per annum (circa 51%).



FUND FACTS

Portfolio Manager

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): £164.02m

Property valuation: £212.04m

Number of properties held: 34

Average lot size: £6.24m

Property portfolio net initial yield (% p.a.)
7.94%

Property portfolio reversionary yield: 8.83%

LTV (Net Asset Value): 36.58%

Average weighted unexpired lease term
To break: 4.25 years **To expiry:** 5.51 years

Occupancy: 92.62%* *** As a % of ERV**

Number of tenants: 141

Share price as at 31 Dec: 101.0p
NAV per share: 103.53p
Premium/(discount) to NAV: (2.44%)

Shares in issue: 158.42m

Market capitalisation: £160.01m

Annual management charge
0.9% per annum of invested NAV

Dividend target

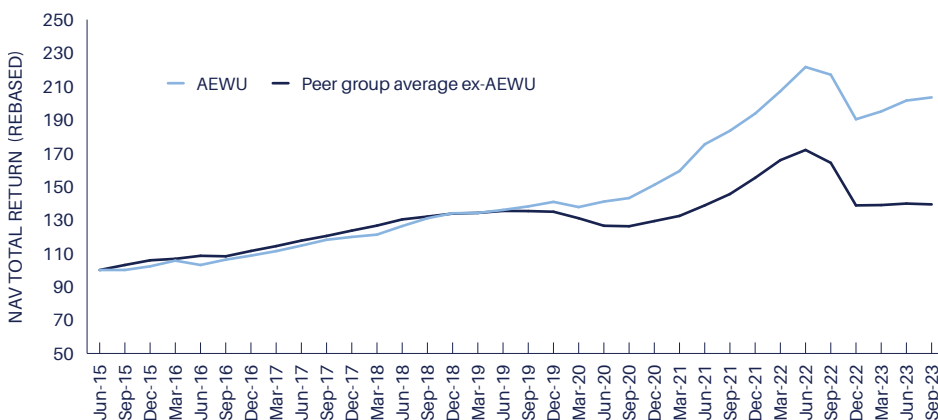
The Directors will declare dividends taking into account the level of the Company's net income and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend, which was 8 pence per Share declared for the year ended 31 March 2023. Based on the current market conditions, the Company expects to pay an annualised dividend of 8 pence per Share in respect of the financial year ending 31 March 2024.

ISIN: GB00BWD24154 **Broker:** Liberum

Ticker: AEWU **SEDOL:** BWD2415

HISTORIC PERFORMANCE

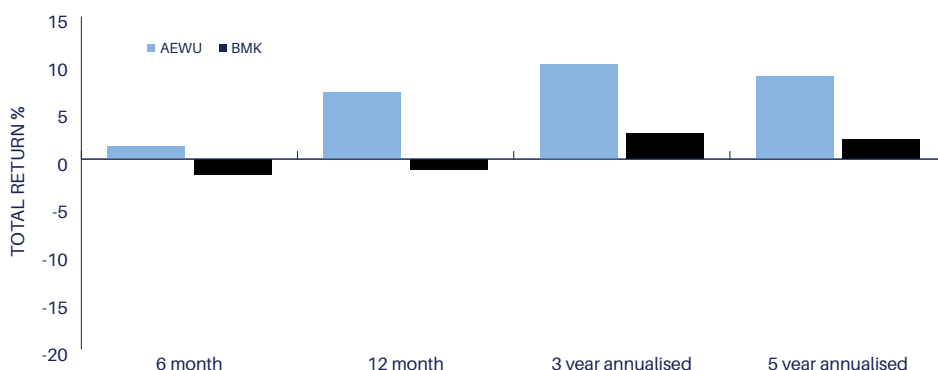
AEWU vs. Peer Group NAV Performance Total Return



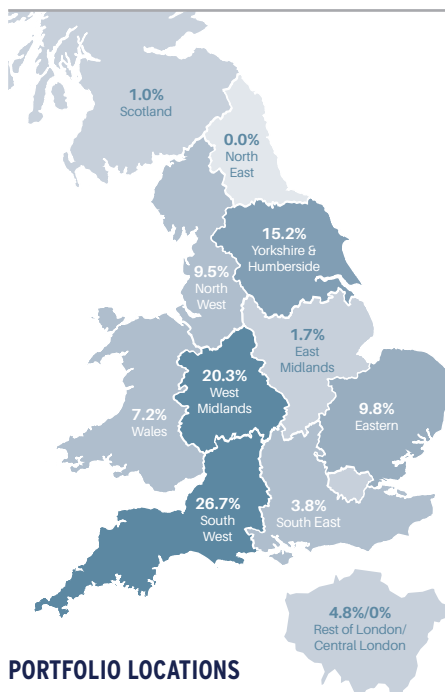
Source: Liberum, January 2024.

Property Total Return Vs. MSCI Benchmark

5-year annualised property total return outperformance of 6.66% above the MSCI benchmark



Source: MSCI 31 December 2023. Benchmark refers to MSCI/AREF UK PFI Balanced Funds Quarterly Index.



PORTFOLIO LOCATIONS

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

SECTOR WEIGHTINGS



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

TOP 10 ASSETS (BY VALUE)

Central Six Retail Park, Coventry	10.1%
Northgate House, Bath	6.0%
Gresford Industrial Estate, Wrexham	5.9%
Cambridge House, Bath	5.4%
40 Queens Square, Bristol	5.1%
London East Leisure Park, Dagenham	4.8%
NCP, York	4.7%
Arrow Point Retail Park, Shrewsbury	4.1%
Apollo Business Park, Basildon	3.2%
Wyndeham, Peterborough	3.0%

KEY CONTACT

Investor Relations

Kari Clarke

kari.clarke@eu.aew.com

T: 020 7016 4804

Important notice This is a communication issued by AEW UK Investment Management LLP (the "Investment Manager"), trading as AEW UK ("AEW UK"). It relates to the AEW UK REIT Plc (the "Company"). This communication cannot be relied upon as the basis on which to make a decision to invest in the Company. This communication does not constitute an invitation or inducement to subscribe to any particular investment. This communication is forwarded to you for information purposes only and does not constitute a personal recommendation. You should seek professional advice before making any investment decision. The value of investments and the income from them can fall as well as rise. An investor may not get back the amount of money invested. Past performance is not a guide to future performance. AEW UK Investment Management LLP believes the information to be correct at the time of writing but does not make any representation as to the accuracy or completeness of the material and does not accept liability for any loss arising from the use hereof. It is under no obligation to ensure that updates to the document are brought to your attention.