

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 £162.75 million or 102.73 pence per share as at 31 March 2024 (31 December 2023: £164.02 million or 103.53 pence per share).
- NAV total return of 1.16% for the quarter (31 December 2023 quarter: -0.44%).
- 0.41% like-for-like valuation increase for the quarter (31 December 2023 quarter: 1.59% decrease).
- EPRA earnings per share ("EPRA EPS") for the quarter of 1.88 pence (31 December 2023 quarter: 1.83 pence).
- Interim dividend of 2.00 pence per share for the three months ended 31 March 2024, paid for 34 consecutive quarters and in line with the targeted annual dividend of 8.00 pence per share.
- Loan to GAV ratio at the quarter end was 26.21% (31 December 2023: 26.19%). 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 Pricebusters Building, Blackpool, for £2.20 million, equivalent to the previous quarter's valuation.
- £535,000 per annum of rental income created from three new lettings at Central Six Retail Park, Coventry.

PORTFOLIO MANAGER'S COMMENTARY

We are pleased to report higher earnings this quarter, buoyed by the invoicing of Sports Direct's annual turnover rent at Central Six Retail Park, Coventry. After adjusting for this, earnings are consistent with prior quarters, demonstrating that the Company's programme of ongoing asset management initiatives continue to sustain income streams and mitigate void costs. Earnings have also been bolstered by numerous rent reviews settled during the quarter, several new lettings and a lease regear, most notably at the Company's retail warehousing asset in Coventry.

The Company remains cognisant of the fragile economic backdrop and its cumulative effect on occupational markets and, as a result, retains a cautious cash holding, amounting to £11.40 million at quarter end, much of which is held in an interest-bearing bank account. These funds, as well as sales proceeds from the disposal of the Pricebusters Building, have been committed to future asset management

initiatives, which continue to progress well and are advancing their related property valuations. In accordance with the Company's strategy of delivering total return through active asset management, these initiatives are expected to drive further capital and income growth in several of the portfolio's assets.

The Company has committed to pay its dividend of 2.00 pence per share this quarter, which we have now paid for 34 consecutive quarters. This has been largely funded by EPRA earnings, supplemented when necessary, by profit realised on the NAV accretive sale of assets in prior quarters.

Valuation movements

As at 31 March 2024, the Company owned investment properties with a total fair value of £210.69 million, as assessed by the Company's independent valuer, Knight Frank. The like-for-like valuation increase for the quarter of £0.85 million (0.41%) is broken down as follows by sector:

SECTOR	VALUATION 31 MARCH 2024		LIKE-FOR-LIKE VALUATION MOVEMENT FOR THE QUARTER	
	£ million	%	£ million	%
Industrial	78.72	37.36	1.20	1.55
Office	25.05	11.89	-0.55	-2.15
High Street Retail	31.70	15.05	0.05	0.16
Retail Warehouses	46.80	22.21	0.85	1.85
Leisure	28.42	13.49	-0.70	-2.40
Total	210.69	100.00	0.85	0.41*

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

INVESTMENT UPDATE



Pricebusters Building, Blackpool (retail)

On 28 March 2024, the Company completed the sale of its holding on Bank Hey Street in Blackpool for £2.20 million. The decision to sell the property, which was sold at the previous quarter's valuation, followed the service of Sports Direct's break notice, creating approximately 70,000 sq. ft. of vacant space within the building's upper parts from the beginning of April. In addition, the building's condition and unconventional layout became challenging for reletting or alternative uses, especially without significant capital expenditure being incurred. The carrying value of the asset had been written down in previous quarters.

No purchases were made during the quarter.

ASSET MANAGEMENT

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

1. Northgate House, Bath (retail)

Having held over since June 2022, the Company completed Oska Ludlow Limited's lease renewal on a 10-year term with a tenant break in year five. The rent agreed is £40,000 per annum. The renewal included a three-month rent-free incentive.

2. Cambridge House, Bath (office)

Post quarter end, the Company completed a lease with new tenant, ITX UK Ltd, who will utilise the space for retail storage to support the main Zara store within the nearby Southgate Shopping Centre. The tenant entered a new lease expiring in August 2038, with tenant only break options on the expiry of years two, five and eight, at a rent of £60,000 per annum (£16.22 per sq. ft.). The letting includes a six-month rent-free incentive.

3. Westlands Distribution Park, Weston-Super-Mare (industrial)

The Company settled Ford Fuels Ltd's rent review at £27,500 per annum (£46,600 per acre), representing an increase of £13,600 per annum (circa 41%).

4. London East Leisure Park, Dagenham (leisure)

The Company completed a rent review with The Original Bowling Company Limited, trading as Hollywood Bowl, with effect from September 2022 at £287,922 per annum (£9.38 per sq. ft.), representing an increase of £27,142 per annum (circa 10%).

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

The Company completed a lease with new tenant, Whitecross Dental Care Limited, trading as MyDentist, for vacant Unit 4. The tenant entered a 15-year lease, with a 10-year tenant break option, at a rent of £145,000 per annum (£14.29 per sq. ft.), to be reviewed every five years based on open market value (upward only).

Having exchanged on an agreement for lease in December 2022, the Company subsequently completed the lease with new tenant, Iceland Foods Limited, trading as The Food Warehouse, for Units 6a & 6b (now combined as one unit). The tenant entered a new 11-year lease at a rent of £250,000 per annum, reflecting £16.51 per sq. ft. The letting includes a three-month rent-free period and an £812,500 cash incentive.

The Company completed a lease regear with tenant, TJX UK, trading as TK Maxx, for Unit 1. The tenant entered a new lease, providing a term certain until March 2034, at a rent of £234,527 per annum (£16.37 per sq. ft.), which is to be reviewed in September 2029 at open market value, capped at £269,706 per annum. The renewal includes a 12-month rent free incentive, effective from September 2024.

Post quarter end, the Company completed a lease with new tenant, Salvation Army Trading Company Ltd, for Unit 12. The tenant entered a new lease expiring in November 2032, with a tenant only break option in year five, at a rent of £140,000 per annum (£13.97 per sq. ft.). The letting includes a nine-month rent-free incentive.



FUND FACTS

Portfolio Manager

Laura Elkin

Assistant Portfolio Manager

Henry Butt



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): £162.75m

Property valuation: £210.69m

Number of properties held: 33

Average lot size: £6.38m

Property portfolio net initial yield (% p.a.)
7.99%

Property portfolio reversionary yield: 8.77%

LTV (Gross Asset Value): 26.21%

Average weighted unexpired lease term
To break: 4.27 years **To expiry:** 5.58 years

Occupancy: 93.62%* ***As a % of ERV**

Number of tenants: 133

Share price as at 31 Mar: 86.0p
NAV per share: 102.73p
Premium/(discount) to NAV: (16.29%)

Shares in issue: 158.42m

Market capitalisation: £136.25m

Annual management charge
0.9% per annum of invested NAV

Dividend target

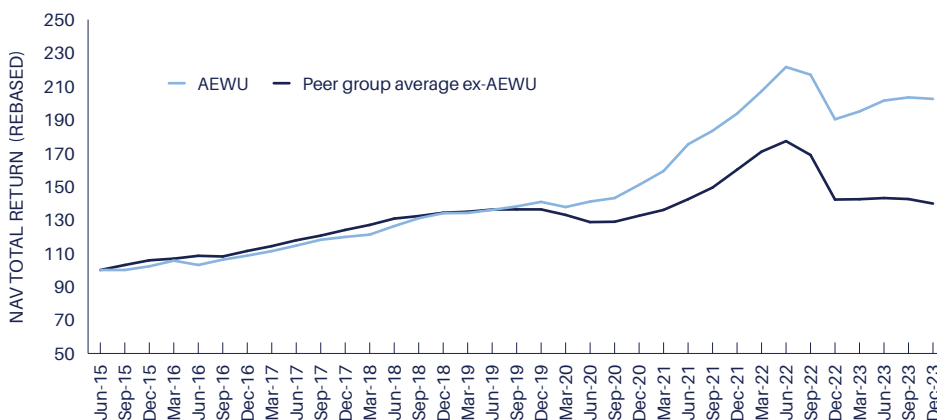
The Directors will declare dividends taking into account the level of the Company's net income and the Directors' view on the outlook for sustainable recurring earnings. As such, the level of dividends paid may increase or decrease from the current annual dividend, which was 8 pence per Share declared 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

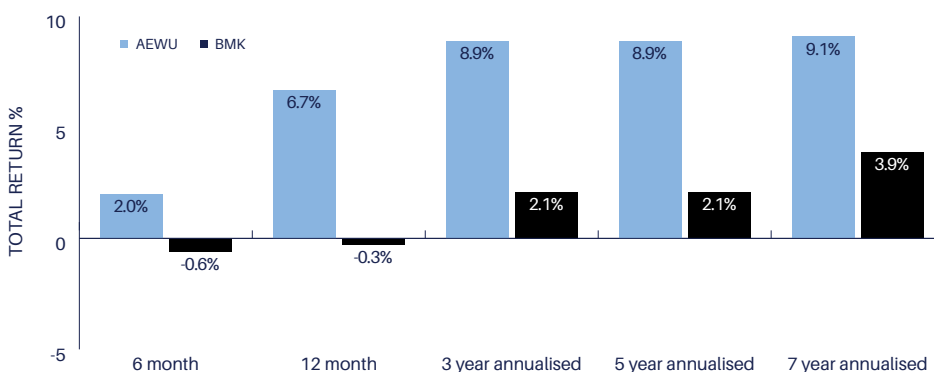
AEWU vs. Peer Group NAV Performance Total Return



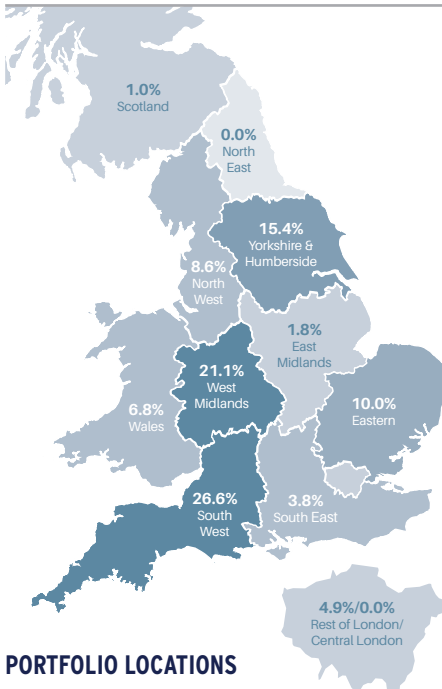
Source: Liberum, March 2024.

Property Total Return Vs. MSCI Benchmark

5-year annualised property total return outperformance of 6.82% above the MSCI benchmark



Source: MSCI 31 March 2024. 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	10.7%
Northgate House, Bath	6.1%
Gresford Industrial Estate, Wrexham	6.0%
Cambridge House, Bath	5.2%
40 Queens Square, Bristol	5.1%
London East Leisure Park, Dagenham	4.9%
NCP, York	4.8%
Arrow Point Retail Park, Shrewsbury	3.9%
Apollo Business Park, Basildon	3.4%
Wyndeham, Peterborough	3.0%

KEY CONTACT

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