

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 £172.76 million or 109.05 pence per share at 30 September 2024 (30 June 2024: £167.79 million or 105.91 pence per share).
- NAV total return of 4.85% for the quarter (30 June 2024 quarter: 5.04%).
- 2.94% like-for-like valuation increase for the quarter (30 June 2024 quarter: 2.41% increase).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.68 pence (30 June 2024 quarter: 2.26 pence). Underlying EPS of 2.17 pence (30 June 2024 quarter: 1.92 pence).
- Interim dividend of 2.00 pence per share for the three months ended 30 September 2024, paid for 36 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 25.04% (30 June 2024: 25.66%). Significant headroom on all loan covenants.
- Company continues to benefit from a low fixed cost of debt of 2.959% until May 2027.
- Disposal of Oak Park, Droitwich, for £6.30 million, reflecting a 33% premium to the 31 March 2024 valuation.
- Three new lettings increasing annual contracted rent by £598,470 per annum.

PORTFOLIO MANAGER'S COMMENTARY

We are pleased to report continued growth in NAV per share and a dividend covered by EPRA earnings for a second consecutive quarter. The underlying EPRA EPS of 2.17 pence represents a continuation of dividend cover and is testament to the earnings accretion produced by the Company's programme of ongoing asset management initiatives, both through income generation and void cost mitigation. Headline EPRA EPS is 2.68 pence this quarter due to recognition of indemnity income, compensating for the PID tax charge detailed in previous announcements. The Company has committed to pay its quarterly dividend of 2.00 pence per share, which has now been paid for 36 consecutive quarters.

Underlying earnings growth this quarter includes the completion of significant lettings, most notably: Tenpin at The Railway Centre, Dewsbury, Farmfoods at Barnstaple Retail Park and Roxy Lanes at Union Street, Bristol. These

three lettings have increased the portfolio's annual contracted rent by £598,470 per annum (3.2%). Effective management of the Company's 'bottom line' has also contributed to earnings performance. Successful recovery of some longstanding arrears and reduced property costs have delivered further earnings growth this quarter.

Following the sale of Oak Park, Droitwich during the quarter, the Company has cash reserves amounting to £11.18 million at quarter end, a large proportion of which is held in an interest-bearing bank account. These funds have been committed to future asset management initiatives and to maintain a cash buffer, given the continued macroeconomic uncertainty. Current initiatives continue to progress well and are advancing their related property valuations, as evidenced by the quarter's 2.94% like-for-like valuation increase. These initiatives are expected to drive further capital and income

growth in several of the portfolio's assets.

We are delighted to have won the listed property category in the 2023 MSCI UK Property Investment Awards. This award is given to the Company that has delivered the highest annualised property total return over the three years to December 2023. Achieving this award is testament to the Company's strategy of delivering total return through active asset management.

Valuation movements

As at 30 September 2024, the Company owned investment properties with a total fair value of £215.64 million, as assessed by the Company's independent valuer, Knight Frank. The like-for-like valuation increase for the quarter of £6.17 million (2.94%) is broken down as follows by sector:

SECTOR	VALUATION 30 SEPTEMBER 2024		LIKE-FOR-LIKE VALUATION MOVEMENT FOR THE QUARTER	
	£ million	%	£ million	%
Industrial	75.82	35.17	1.62	2.19
Retail Warehouses	53.68	24.89	4.38	8.87
High Street Retail	31.82	14.75	0.12	0.36
Other	29.07	13.48	-	-
Office	25.25	11.71	0.05	0.20
Total	215.64	100.00	6.17	2.94*

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

INVESTMENT UPDATE

Oak Park Industrial Estate, Droitwich (industrial)

On 24 July 2024, the Company completed on the sale of Oak Park Industrial Estate for £6.30 million, reflecting a net initial yield of 7.95% and a capital value of £33 per sq. ft. A sale at this price represents a circa 33% premium to the 31 March 2024 valuation.

Following three new lettings, which added £272,000 of annual rental income, the property was fully let. The business plan put in place for the property had been completed, and the decision was made to sell the asset as we

believed that value over the medium term had been maximised.

The industrial estate was bought in December 2015 for £5,625,000, reflecting a 10.4% net initial yield and a capital value of £30 per sq. ft. The estate was originally single let to Egbert H Taylor & Co Limited (trading as Taylor Bins), a strong tenant covenant with a WAULT to expiry of approximately seven years. The tenant has since downsized on the estate.

No purchases were made by the Company during the quarter.



ASSET MANAGEMENT

The Company completed and exchanged on the following asset management transactions during the quarter:



Sarus Court, Runcorn (industrial)

The Company completed a speculative refurbishment project of units 1001 and 1003, formerly let to CJ Services. The works comprised roof improvements, respraying of external elevations, internal strip-out and decoration, and replacing M&E services to improve the EPC ratings to a B. The cost of the works was £807,742, excluding professional fees. It is anticipated that the Company will crystallise significant rental growth from the previous rent following the units being re-let.



Barnstaple Retail Park, Barnstaple (retail warehouse)

The Company completed a new letting of Unit 2, formerly let to Sports Direct, to Farmfoods Limited. Farmfoods have taken a 15-year lease, with a tenant break option at the expiry of the tenth year, at a rent equivalent to an ERV of £125,000 per annum (£13.00 per sq. ft.). There will be an open market rent review at the end of the fifth and tenth years. No rent-free incentive was given, but the unit's externals

were refurbished by the Company, with the cost anticipated to be recovered through a dilapidations settlement with the former tenant



Carr Coatings, Redditch (industrial)

The Company settled Carrs Coatings Ltd's August 2024 annual uncapped RPI rent review at £304,809 per annum (£8.02 per sq. ft.), representing a £10,461 per annum (circa 3.6%) increase. The unit is single-let to Carrs Coatings Ltd until August 2028. The lease was entered into as a sale and leaseback in 2008 at an initial starting rent of £170,300 per annum (£4.50 psf).



Union Street, Bristol (retail)

Having completed subdivision works to the former Wilko unit, separating the ground and basement levels from the first floor, the Company completed a new letting to Roxy Lanes (Bristol) Ltd (Roxy), who already occupy the second floor of the building. Roxy entered into a new lease until 2036, continuous with their existing lease of the second floor, with no tenant break options. The rent, which will be reviewed to RPI (1.50% collar and 4.0% cap, compounded

annually) in 2026 and 2031, is £95,000 per annum (£10.55 per sq. ft.) and is guaranteed by Roxy Leisure Holdings Ltd. Roxy was granted a 12-month rent free period and a £95,000 capital contribution as a letting incentive. The remaining ground and basement levels of the former Wilko continue to be marketed.



The Railway Centre, Dewsbury (retail warehouse)

Having previously exchanged an agreement for lease with leisure operator, Tenpin Limited, to take a new 25-year lease of the former Mecca Bingo space, the Company completed the lease on 17 September. The lease is guaranteed for the duration of the term by Tenpin Entertainment Limited, previously Ten Entertainment Group plc, who was acquired by US private equity firm, Trive Capital, in February 2024 for £287 million. The lease has a tenant break option in year 17.5, at a rent of £378,470 per annum (£13.59 per sq. ft.), with five-yearly compounded CPI reviews (1% collar and 3% cap).

At the time of Mecca Bingo vacating, the unit had an ERV of £8.00 per sq. ft. A £1,550,000 capital contribution was given as a tenant incentive, with the Company carrying out £653,000 of landlord strip-out and enabling works (£368,000 net of the Mecca dilapidations settlement).

Tenpin comprises 53 venues across the UK and provides customers with a diverse range of activities including bowling, video arcades, escape rooms, karaoke, laser tag, pool, table tennis, and soft play. The quarterly valuation uplift was 59% following completion of the letting.

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 intends to supplement 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): £172.76m

Property valuation: £215.64m

Number of properties held: 32

Average lot size: £6.74m

Property portfolio net initial yield (% p.a.)
8.08%

Property portfolio reversionary yield: 8.65%

LTV (Gross Asset Value): 25.04%

Average weighted unexpired lease term
To break: 4.49 years **To expiry:** 5.90 years

Occupancy: 93.23%* *As a % of ERV

Number of tenants: 131

Share price as at 30 Sep: 98.4p
NAV per share: 109.05p
Premium/(discount) to NAV: (-9.77%)

Shares in issue: 158.42m

Market capitalisation: £155.89m

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 2024. 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 2025 and for the interim financial period to 30 September 2024.

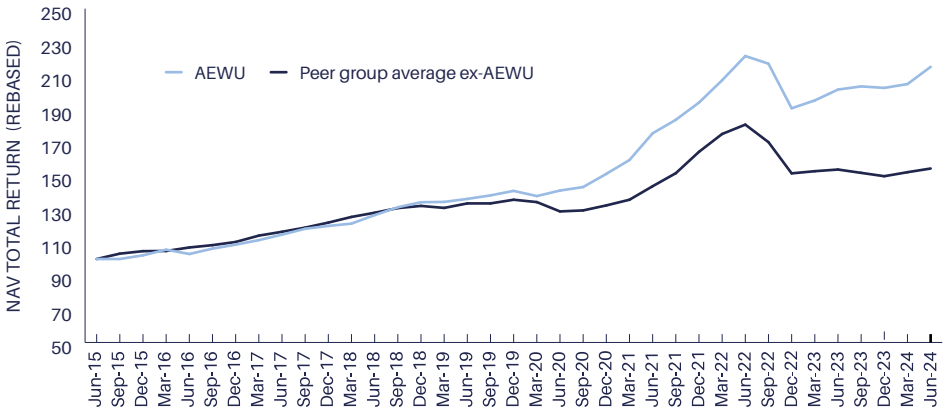
ISIN: GB00BWD24154

Broker: Panmure Liberum

Ticker: AEWU **SEDOL:** BWD2415

HISTORIC PERFORMANCE

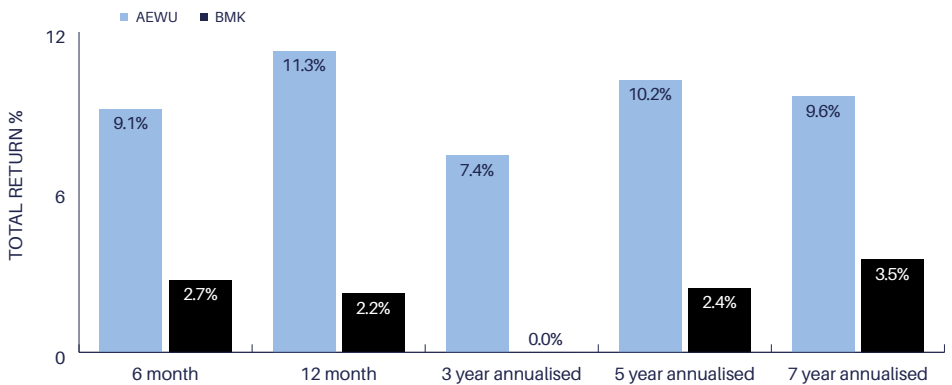
AEWU vs. Peer Group NAV Performance Total Return



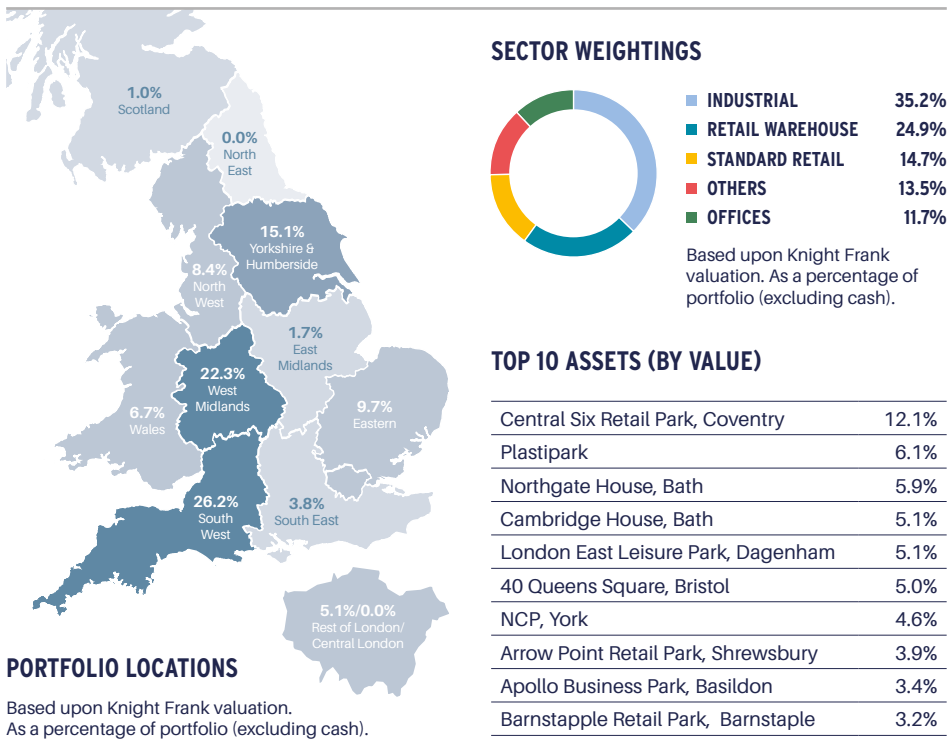
Source: Liberum, June 2024.

Property Total Return Vs. MSCI Benchmark

5-year annualised property total return outperformance of 7.8% above the MSCI benchmark.



Source: MSCI, 30 September 2024. Benchmark refers to MSCI/AREF UK PFI Balanced Funds Quarterly Index.



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