

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 £174.30 million or 110.02 pence per share at 31 December 2024 (30 September 2024: £172.76 million or 109.05 pence per share).
- NAV total return of 2.73% for the quarter (30 September 2024 quarter: 4.85%).
- 1.22% like-for-like valuation increase for the quarter (30 September 2024 quarter: 2.94% increase).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.35 pence (30 September 2024 quarter: 2.68 pence).
- 38% average sale to purchase price premium since inception
- Interim dividend of 2.00 pence per share for the three months ended 31 December 2024, paid for 37 consecutive quarters and in line with the targeted annual dividend of 8.00 pence per share, representing a dividend yield of 7.9%.
- Loan to GAV ratio at the quarter end was 25.03% (30 September 2024: 25.04%). 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 Units 1-11 of Central Six Retail Park, Coventry, for £26,250,000, reflecting a net initial yield of 7.49% and a capital value of £213 per sq. ft, representing a 60% premium to the purchase price.
- Annualised 10.2% five-year total property return to 30th September. 7.8% outperformance of MSCI benchmark over the same period.

## PORTFOLIO MANAGER'S COMMENTARY

We are pleased with the growth in NAV per share and the dividend being covered by EPRA earnings for a third consecutive quarter, which continues to evidence the earnings accretion produced by the Company's programme of ongoing asset management initiatives through income generation and void cost mitigation. Rental income has been buoyed by the billing of annual turnover rent for Next in Bromley, and Poundland in Coventry, while the Company's 'bottom line' continues to benefit from a stabilised portfolio and tenant base.

The part sale of Central Six Retail Park, Coventry, at a very healthy premium of 60% to the purchase price, means the Company has capital to deploy on a pipeline of attractive investment opportunities, a significant amount of which is already under offer.

The Company has committed to pay its quarterly dividend of 2.00 pence per share, which has now been paid for 37 consecutive quarters.

## Valuation Movement

As at 31 December 2024, the Company owned investment properties with a total fair value of £191.96 million, as assessed by the Company's independent valuer, Knight Frank. The like-for-like valuation increase for the quarter of £2.31 million (1.22%) is broken down as follows by sector:

SECTOR	VALUATION 31 DECEMBER 2024		LIKE-FOR-LIKE VALUATION MOVEMENT FOR THE QUARTER	
	£ million	%	£ million	%
Industrial	77.35	40.30	1.52	2.01
Retail Warehouses	32.65	17.01	0.84	2.62
High Street Retail	28.90	15.05	(0.18)	(0.60)
Other	28.01	14.59	0.33	1.17
Office	25.05	13.05	(0.20)	(0.79)
<b>Total</b>	<b>191.96</b>	<b>100.00</b>	<b>2.31</b>	<b>1.22*</b>

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

## INVESTMENT UPDATE

### Units 1-11, Central Six Retail Park, Coventry (retail warehouse)

On 13 December 2024, the Company completed the sale of Units 1-11 of Central Six Retail Park for £26,250,000, reflecting a net initial yield of 7.49% and a capital value of £213 per sq. ft. This sale price represents a 60% premium to the purchase price of the entire property which was acquired in November 2021 for £16,411,000 (£110 per

sq. ft.), and a 6.7% premium to the 30 June 2024 valuation, being the latest valuation date prior to agreeing Heads of Terms. Excluding the remaining part of the retail park (Units 12, A(1), A(2) and B), known as the 'triangle site', which the Company will retain, the sale delivered an IRR in excess of 16%.

The sale price will be paid in two tranches; the first instalment of £25,900,000 was paid on sale completion. The second instalment,

amounting to £350,000, which is currently held in escrow, will be paid on the completion of a new lease of Unit 10 to Superdrug Stores Plc, where an agreement for lease has already exchanged (see Asset Management Update below). The purchaser is also contracted to pay a third instalment of £500,000 to the Company, should it complete a letting to an electric vehicle charging operator within the first 18 months of ownership.

## INVESTMENT UPDATE

### Units 1-11, Central Six Retail Park, Coventry (retail warehouse) ; continued

Following the completion of three new lettings to Aldi Stores Limited, Iceland Foods Limited and Whitecross Dental Care Limited, which added £668,000 of annual rental income, the property is now fully let, having had circa 24% vacancy (% of ERV) at the time of acquisition. These three lettings, coupled with lease renewals and regears to Next Group plc, Boots UK Ltd and TJX UK (TK Maxx), have maximised both income and the value of the asset.

In June 2023, the Company completed the acquisition of the freehold interest of Units 1-11,

which had previously been held by way of a restrictive long leasehold title from Friargate JV Projects Limited (Friargate). The remainder, known as the 'triangle site', still held on a long leasehold, can be acquired by Friargate at any time for a five-year period from July 2025. This, as well as the completion of the occupational transactions mentioned above, prompted the decision to market the asset for sale. Furthermore, having increased the net operating income by circa 54% since acquisition, the property is no longer considered reversionary, with two of the ten units, where lease renewals are anticipated in 2025, being considered 'over-rented' with a



forecast reversionary yield of 6.88%.

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:

### Units 1-11, Central Six Retail Park, Coventry (retail warehouse)

On 9 December 2024, the Company simultaneously exchanged an agreement for surrender with TUI UK Retail Limited (TUI) and an agreement for lease with Superdrug Stores Plc (Superdrug) for Unit 10. The agreement for surrender with TUI is conditional on the tenant carrying out works to Unit 10 in line with a pre-agreed specification in preparation of the new letting to Superdrug. The agreement for lease with Superdrug is conditional on the works being carried out by TUI, vacant possession and a capital contribution of £31,000 by the Company. Once the conditions have been satisfied, Superdrug will enter into a new 10-year lease, with a tenant only break option in year five, at a rent of £158,760 per annum (£18 per sq. ft.). The letting includes a 12-month rent-free incentive.

Following a protracted exchange of correspondence with Poundland, three years of turnover rent has been billed for 2022, 2023 and 2024, equating to £57,862 in total.

Units 12, A(1), A(2) and B, (known as the 'triangle site'), Central Six Retail Park, Coventry (retail warehouse) - On 17 December, the Company completed a new lease with TUI UK Retail Limited (TUI) for part of Unit A(2) on a five-year term, with a tenant only break option at the end of year three, at a rent of £75,000 per annum (£43.55 per sq. ft.). The letting includes a six-month rent-free incentive effective from 1 July 2025 and a tenant break option penalty equivalent to 12 months' rent. The Company provided a £174,000 capital contribution, £44,000 for strip-out works of the former American Golf unit and a further £130,000 for subdivision works, creating two units.



### Cambridge House, Bath (mixed-use)

The Company has exchanged an agreement for lease with premium gym operator, Marchon Bath Ltd (Marchon). The tenant will enter a new straight 10-year lease paying a rent of £70,000 per annum subject to the completion of circa £90,000 landlord strip-out works (including professional fees). There will be a five-yearly upwards only rent review to the higher of open market or RPI (2% collar and 4% cap). The tenant has been granted a 12-month rent free period. This will be Marchon's fourth location, including White City, Stratford and Harpenden.



### Northgate House, Bath (high-street retail)

Having exercised their tenant break option, bringing their lease to an end on 25 December 2024, Gaff Trading Co. Ltd have taken a new 10-year lease with a tenant break option at the end of year five at a rent of £39,000 per annum. There will be an upwards only open market rent review on the fifth anniversary. No tenant incentive was given.



### Union Street, Bristol (high-street retail)

The Company completed a new letting of 31 Union Street to RS Food Services Ltd, trading as Subway. The tenant has taken a 12-year lease with a tenant break option at the end of year five, at a rent of £32,500 per annum, which is in line with ERV. Four months rent-free has been granted as an incentive, with a further four months should the tenant not exercise their break option.



### Westlands Distribution Park, Weston-super-Mare (industrial)

The Company settled North Somerset District Council's outstanding April 2024 open market rent review at £110,000 per annum (£3.61 per sq. ft.), representing a 14% increase on the previous passing rent of £96,423 per annum (£3.15 per sq. ft.) which was agreed in April 2022.

The Company also settled Container Team Limited's outstanding June 2024 open market rent review at £99,000 per annum, representing a 90% increase on the previous passing rent of £52,000 per annum. The increase in rent reflects the current strength of the UK's IOS (industrial outdoor storage) occupational market.



### Circuit Nightclub, Cardiff (leisure)

The Company completed an assignment of CC Stim UK Tradeco 5 Ltd's (in administration) lease to newco, Neos 13 Ltd. As a condition of the assignment, there was a simultaneous variation of the lease, revising the rent from £300,000 per annum to a base rent of £175,000 per annum, together with an additional 'top-up' rent equivalent to 10% of turnover where turnover exceeds £1.75m per annum, with an aggregate of the combined base rent and turnover rent to be capped at £300,000 per annum. The variation also provides a mutual break clause allowing either party to exercise a break on 1 February or 1 August in any year after August 2026 upon giving no less than 12 months prior written notice.



## 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):** £174.3m

**Property valuation:** £191.96m

**Number of properties held:** 32

**Average lot size:** £6.0m

**Property portfolio net initial yield (% p.a.)**  
8.16%

**Property portfolio reversionary yield:** 8.88%

**Loan to GAV:** 25.03%

**Cost of Debt:** 2.96% fixed

**Average weighted unexpired lease term**  
**To break:** 4.20 years    **To expiry:** 5.73 years

**Occupancy:** 91.05%\*    \*As a % of ERV

**Number of tenants:** 112

**Share price as at 31 Dec:** 100.4p  
**NAV per share:** 110.02p  
**Premium/(discount) to NAV:** (-8.75%)

**Shares in issue:** 158.424746m

**Market capitalisation:** £159.06m

**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 as at the date of this Registration Document, the Company expects to pay an annualised dividend of 8 pence per Share in respect of the financial year ending 31 March 2025.

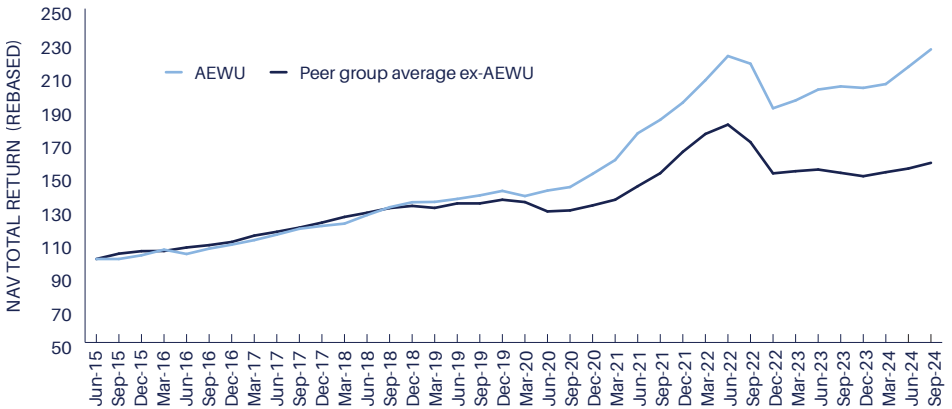
**ISIN:** GB00BWD24154

**Broker:** Panmure Liberum

**Ticker:** AEWU    **SEDOL:** BWD2415

## HISTORIC PERFORMANCE

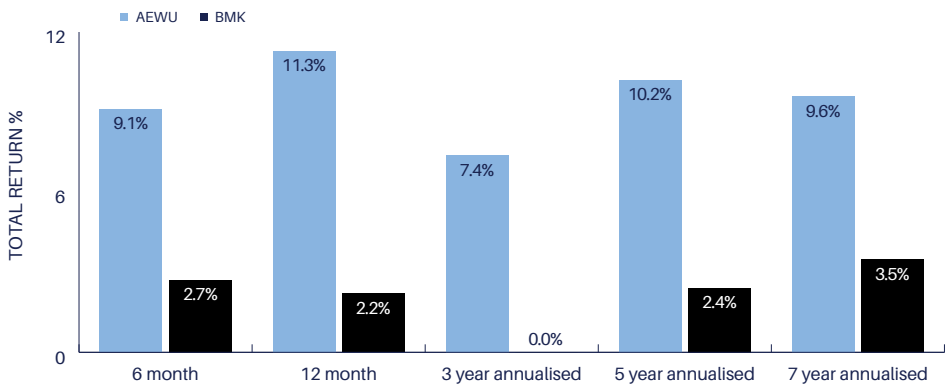
### AEWU vs. Peer Group NAV Performance Total Return



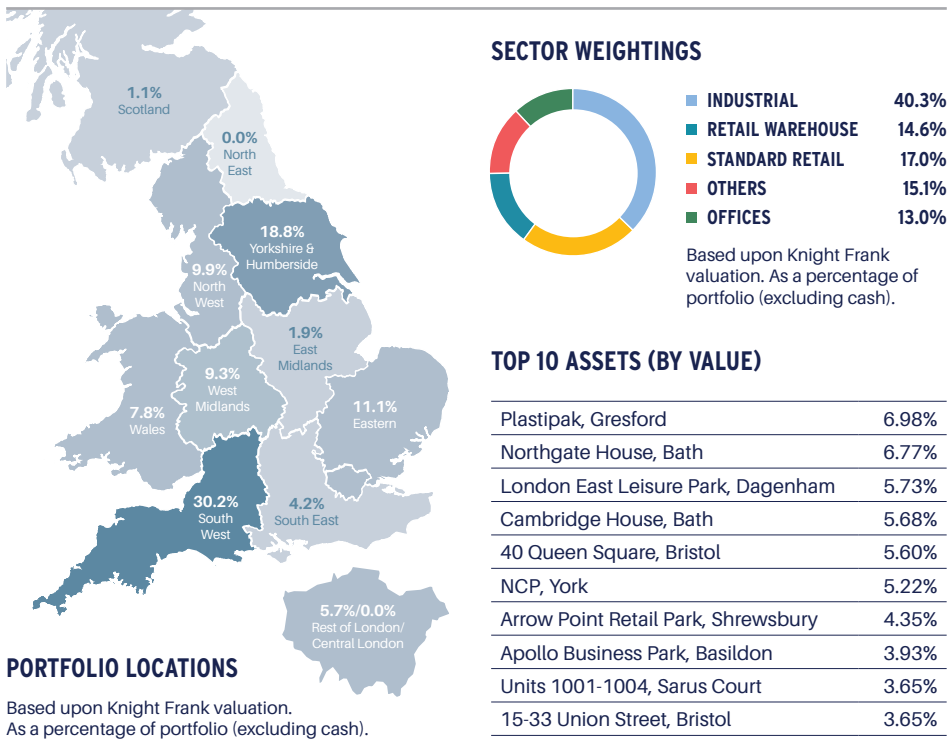
Source: Liberum, September 2024.

### 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.



### PORTFOLIO LOCATIONS

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

## KEY CONTACT

### Investor Relations

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