

Quarterly Update

Q2 21

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



Fund Highlights

- Interim dividend of 2.00 pence per share for the three months ended 30 June 2021, in line with the targeted annual dividend of 8.00 pence per share.
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.14 pence (31 March 2021 quarter: 1.10 pence).
- NAV of £169.69 million or 107.11 pence per share as at 30 June 2021 (31 March 2021: £157.08 million or 99.15 pence per share).
- NAV total return of 10.04% for the quarter (31 March 2021 quarter: 5.51%).
- Acquisitions of two properties: Arrow Point Retail Park, Shrewsbury, for £8.35 million and 15-33 Union Street, Bristol, for £10.19 million.
- Successful outcome of legal action against two well-funded national tenants to recover unpaid rent. All rent arrears due from these tenants have since been collected.
- The Company remains conservatively geared with a loan to NAV ratio of 29.76% (31 March 2021: 25.15%). As at 30 June 2021, the Company had a cash balance of £8.43 million and £8.89 million of its loan facility available to draw up to the maximum 35% Loan to NAV at drawdown.
- For the rental quarter commencing on 24 June 2021, 88% of rent has been collected or is expected to be received under monthly payment plans prior to quarter end. The remainder of rents owed will continue to be pursued.

Portfolio Managers' Comments

The Company's portfolio generated record strong capital growth for the quarter with valuations increasing by 7.47% on a like-for-like basis, the highest quarterly increase since IPO in 2015. As with the previous quarter, this was largely driven by the performance of the industrial assets in the portfolio which saw a like-for-like increase of 10.62% for the quarter and make up 57% of the portfolio as at 30 June 2021. The industrial and logistics sectors have benefitted from accelerated changes in consumer habits and the shift towards online retail and this continues to be reflected in valuation movements. There is also some expectation that the UK will begin to see an increase in localised production as a result of supply chain disruption and this could lead to take up being focussed more on traditional manufacturing accommodation, which has seen a decline in total stock in recent years, rather than the currently favoured logistics assets.

We are now seeing more attractive investment opportunities coming to the market and the Company made two acquisitions during the quarter for a combined gross purchase price of £18.54 million, drawing £11.00 million of its loan facility. The first, Arrow Point Retail Park in Shrewsbury, was acquired in May for £8.35 million and is a fully-let, purpose-built retail park prominently located on a busy commercial estate, providing a net initial yield of 8.7%. The second, 15-33 Union Street, Bristol, is a retail site located on a busy pedestrian thoroughfare in Bristol city centre and provides a net initial yield of 8.0%. Both of these assets provide opportunity for value

growth in the medium to long term, and also strong and stable income streams from their tenancy profiles. While we continue to take a cautious approach towards the retail sector, judging each site on its specific merits, these two acquisitions are an excellent fit for the portfolio. The retail sector now makes up 18% of the portfolio valuation.

The Company's EPRA EPS was 2.14 pence for the quarter, providing a dividend cover of 107% (31 March 2021: 1.10 pence and 55%). During the quarter, the Company announced the successful outcome of legal action against two well-funded national tenants to recover unpaid rent and subsequently recovered all rent arrears due from those tenants. The collection of these significant arrears allowed the reversal of the prudent doubtful debt provision which contributed a one-off 0.37 pence to EPRA EPS during the quarter.

In the coming quarters the Company's earnings will benefit from its recent acquisitions as well as the completion of asset management initiatives. Ongoing remedial works at the Company's property in Blackpool, which amounted to 0.13 pence per share for the quarter, and a high level of vacancy at its property in Glasgow, which has exchanged to be sold subject to achieving planning for student

accommodation and vacant possession, are temporarily restricting the Company's earnings potential. Both are expected to be complete by early 2022. We are also encouraged by recent improvements in rent collection levels, which now stand at over 96% for each quarter since the onset of the pandemic (ex current quarter). It is hoped that continued easing of lockdown restrictions will allow this trend to continue.

The Company has £8.43 million of cash and £8.89 million of its loan facility available to draw up to the maximum 35% Loan to NAV at drawdown, which will allow us to take advantage of further attractive opportunities in the market. The Company's share price was 96.00 pence as at 30 June 2021 (31 March 2021: 83.20 pence) and we hope that continued improvements in economic conditions will bring about the return of trading at a premium to NAV and enable growth of the Company to resume, which remains a key objective.

Valuation movement

As at 30 June 2021, the Company owned investment properties with a fair value of £210.91 million. The like-for-like valuation increase for the quarter of £13.37 million (7.47%) is broken down as follows by sector:

Sector	Valuation 30 June 2021		Valuation movement for the quarter	
	£ million	%	£ million	%
Industrial	120.42	57.10	11.57	10.62
Office	39.00	18.49	2.20	5.98
Retail	38.94	18.46	-0.40	-1.92
Leisure	12.55	5.95	0.00	0.00
Total	210.91	100.00	13.37	7.47

Fund Facts

Portfolio Managers

Alex Short
and 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: 30 June

Fund size (Net Asset Value): £169.69m

Property valuation: £211m

Number of properties held: 36

Average lot size: £5.86m

Property portfolio net initial yield (% p.a.): 6.7%

Property portfolio reversionary yield: 7.8%

LTV (Net Asset Value): 29.76%

Average weighted unexpired lease term

To break: 4.1 years **To expiry:** 6.2 years

Occupancy: 94.1%* * As a % of ERV

Occupancy is stated excluding vacancy contributed by the asset at 225 Bath Street Glasgow (the overall level is 91.1% including this asset). This asset has now been exchanged for sale for alternative use redevelopment and as a condition of the sale agreement, full vacancy must be achieved in the building before the sale can be completed.

Number of tenants: 112

Share price as at 30 Jun: 96.0p

NAV per share: 107.11p

Premium/(discount) to NAV: (10.4%)

Shares in issue: 158.42m

Market capitalisation: £152.08m

Annual management charge

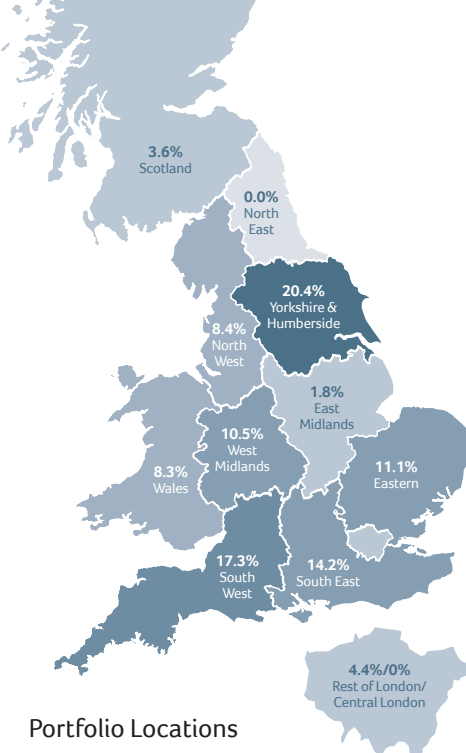
0.9% per annum of invested NAV

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. It remains the Company's intention to continue to pay future dividends in line with its dividend policy, however the outlook remains unclear given the current COVID-19 situation.

ISIN: GB00BWD24154 **Broker:** Liberum

Ticker: AEWU **SEDOL:** BWD2415



Portfolio Locations

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

Asset Management Update

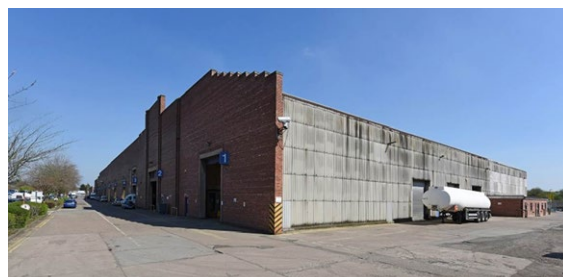
Arrow Point Retail Park, Shrewsbury

We have extended British Heart Foundation's unexpired term to break by pushing their November 2021 break option out to December 2024 in return for 4 months' rent free. The majority of the rent free was used to write off rent arrears predating AEWU's ownership.



Diamond Business Park, Wakefield

We have completed a new 5 year ex-Act lease at £41,866 p.a./£3.75 per sq. ft. on Unit 14, which reflects a rent 25% above the March 2021 ERV. 6 months' rent free was given as an incentive.



Bristol, 40 Queen Square

We have completed a new 5 year ex-Act lease to Brewin Dolphin at £103,770 p.a./£30 per sq. ft. versus the previous passing rent of £22 per sq. ft. and the March 2021 ERV of £26 per sq. ft. A 12 month rent free incentive was given.



Sector Weightings



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

Top 10 Assets (by value)

Eastpoint Business Park, Oxford	7.1%
Gresford Industrial Estate, Wrexham	5.9%
40 Queens Square, Bristol	5.2%
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate, South Kirkby	5.0%
5-33 Union Street, Bristol	4.8%
Lockwood Court, Leeds	4.4%
London East Leisure Park, Dagenham	4.4%
Arrow Point Retail Park, Shrewsbury	4.0%
Storeys Bar Road, Peterborough	3.9%
Units 1001-1004 Sarus Court, Runcorn	3.7%

Key contact

Investor Relations

Kari Clarke
kari.clarke@eu.aew.com
T: 020 7016 4804

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