

Quarterly Update

Q4 20

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 31 December 2020, in line with the targeted annual dividend of 8.00 pence per share.
- EPRA earnings per share ("EPRA EPS") for the quarter of 1.68 pence (30 September 2020: 1.60 pence).
- NAV of £151.88 million or 95.87 pence per share as at 31 December 2020 (30 September 2020: £147.24 million or 92.73 pence per share).
- NAV total return of 5.53% for the quarter (30 September 2020: 1.46%).
- During the quarter the Company completed the acquisition of the multi-let Westlands Distribution Park in Weston Super Mare for a purchase price of £5.4m. Contracts were also unconditionally exchanged to dispose of Sandford House, Solihull for consideration 9% above its valuation at £10.5m. Further investment and asset management activity is noted below.
- The Company remains conservatively geared with a loan to NAV ratio of 26.01% (30 September 2020: 26.83%).
- As at 31 December 2020, the Company had a cash balance of £7.52 million and has £13.66 million of its loan facility available to draw up to the maximum 35% Loan to NAV at drawdown.
- For the rental quarter commencing on 25 December 2020, 90% of rent has been collected or is expected to be received under monthly payment plans prior to quarter end. A further 1% of income is expected to be received under agreed, longer term payment plans. The remainder of rents owed will continue to be pursued.

Portfolio Managers' Comments

We are pleased to see some NAV recovery this quarter which is due, in part, to the team's ongoing drive to maximise value from the assets' business plans. Asset management has always been a key feature of AEW's strategy, and something we have prioritised in uncertain markets such as we experienced in 2020 where gains were more hard-fought. We announced, just prior to Christmas, the agreed sale of the portfolio's Solihull office building following the completion of its business plan. The sale has been achieved at a level 9% ahead of its prevailing valuation at the time of exchange and 94% ahead of its acquisition price with no capital expenditure having been incurred on the property over its hold period. A 15-year lease renewal was signed with the tenant in June 2020, which increased the passing rental income by 30%.

Strong NAV recovery was also driven by the portfolio's weighting towards warehousing and industrials. This sector comprises 56% of the portfolio's value and saw a like-for-like valuation increase during the quarter of 7.6%. Despite this, we consider that the portfolio's overall valuation remains conservative when measured against alternative use values, at a low capital value of only £56 per sq. ft. This is low by design due to our stock selection criteria for the Company having been to seek assets whose alternative use values are expected to exceed current value, since its initial ramp up. We believe that this positions the portfolio both defensively and opportunistically.

The Company's EPRA EPS for the quarter increased by 0.08 pps although it remains below the dividend level of 2.00 pps. This is partly due to ongoing remedial works at its property in Blackpool, which had a negative impact of 0.13 pps for the quarter. The expenditure is accretive to the value of the property and a corresponding positive effect is expected in the valuation movement. The Company's provision for doubtful debtors has also increased by £0.27 million, which has had a negative impact of 0.17 pence on the EPRA EPS for the quarter. In 2021, we expect to increase the Company's earnings as we look to return to full investment. Based upon our current pipeline, we expect the

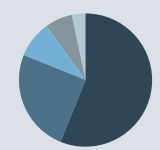
first half of 2021 to provide some very attractive investment opportunities, a number of which we are already pursuing.

Features integral to the Company's strategy give us confidence that it is strongly positioned for the current economic conditions, including its conservatively managed debt exposure, its diversified portfolio and its high levels of rent collection.

As at 31 December 2020, the Company owned investment properties with a fair value of £182.65 million. The like-for-like valuation increase for the quarter of £5.90 million (3.44%) is broken down as follows by sector:



Sector	Valuation 31 December 2020		Valuation movement for the quarter	
	£ million	%	£ million	%
Industrial	102.90	56.3	6.90	7.61
Office	45.55	24.9	-0.30	-0.65
Retail	21.65	11.9	-0.25	-1.14
Other	12.55	6.9	-0.45	-3.46
Total	182.65	100.0	5.90	3.44

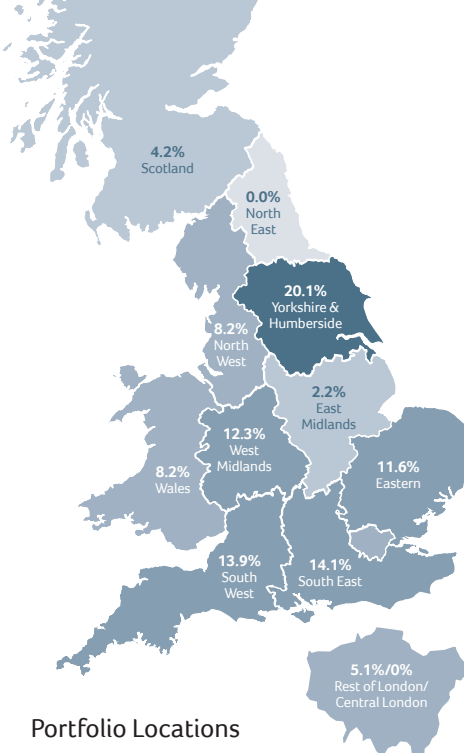
Sector Weightings



● Industrial	56.3%
● Offices	24.9%
● Standard Retail	8.8%
● Other	6.9%
● Retail Warehouse	3.1%

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

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: 31 March
Fund size (Net Asset Value): £151.88m
Property valuation: £182.65m
Number of properties held: 35
Average lot size: £5.22m
Property portfolio net initial yield (% p.a.): 7.43%
Property portfolio reversionary yield: 8.18%
LTV (Net Asset Value): 26.01%
Average weighted unexpired lease term To break: 4.8 years To expiry: 6.3 years
Occupancy: 94.6%* * As a % of ERV Occupancy is stated excluding vacancy contributed by the asset at 225 Bath Street Glasgow (the overall level is 91.09% 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: 100
Share price as at 31 Dec: 78.6p NAV per share: 95.87p Premium/(discount) to NAV: (18.0%)
Shares in issue: 158.42m
Market capitalisation: £124.52m 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

Westlands Distribution Park, Weston Super Mare

During November, the Company acquired this multi-let Distribution Park for £5.4m reflecting a low capital value of £175,000 per acre. This provides strong potential for future capital value growth based upon nearby comparable land transactions. The estate provides a net initial yield of 6.4%, expected to increase to at least 7.4% in the medium term. The average passing rent of £1.50 per sq ft also provides strong potential for rental growth. The estate is let to 15 tenants including North Somerset District Council who represent 30% of the income stream.

Sandford House, Solihull

During December, the Company unconditionally exchanged contracts on the sale of this office for £10.5 million. The sale crystallises significant profit by exceeding both the valuation level immediately prior to the sale by over 9% and the acquisition price by 94%. Acquired in August 2015 for £5.4 million, the asset has been fully let to the Secretary of State for Communities and Local Government since this time producing a net income yield against the purchase price of 9.6%. The Company invested no further capital in the asset during its hold period. A new 15-year lease agreement was signed with the tenant in

Top 10 Assets (by value)

Eastpoint Business Park, Oxford	6.0%
40 Queens Square, Bristol	5.8%
Sandford House, Solihull	5.7%
Gresford Industrial Estate, Wrexham	5.7%
London East Leisure Park, Dagenham	5.1%
Unit 16 and Unit 16a Langthwaite Grange Industrial Estate, South Kirkby	4.5%
Lockwood Court, Leeds	4.3%
225 Bath Street, Glasgow	4.2%
Storeys Bar Road, Peterborough	3.9%
Units 1001-1004 Sarus Court, Runcorn	3.6%

2020 which increased the rental income received from the asset by 30%.

Bath Street, Glasgow

In October, the Company exchanged contracts to sell this office holding to IQ Student Accommodation. The transaction is conditional upon various matters including the granting of planning permission for the development of a 480 bedroom student housing development.

Storeys Bar Road, Peterborough

In November, the Company completed a 15 year lease renewal to existing tenant, Wyndeham, achieving a net effective rental uplift from £2.95 per sq ft to £3.50 per sq ft, increasing the annual rent received from the asset by £115,000. No rent free or other incentive was granted to the tenant.

Moorside Road, Swinton

Following the administration of previous tenant, Nationwide Crash Repair Centres Limited on 3 September, a new letting was completed to HB Accident Repair Network Ltd during November. The letting provides a new 10 year lease with a tenant break after year 5 and 3 months' rent free. The commencing rent of £122,500 pa exceeds the level of rent previously paid by c 10%.

Sarus Court, Runcorn

A new letting to Di-tec Power Ltd was completed during December. The new lease provides for a 10 year term and allows the tenant an incentive of 7 months' rent free. The rental level of £5.65 per sq ft proves a new high tone for the estate.

Brightside Lane, Sheffield

Post quarter end, the Company settled a rent review dated April 2020. The new rent has been set at £374,000 pa equating to £3 per sq ft which represents an increase of 7% above both the current rent and valuers estimated rental value.

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