AEW UK REIT

Reinvesting for capital and income growth

Value focus and total return mindset drives impressive 10-year performance

23 June 2025

Price
102.0p

TICKER
AEWU

Market Cap
£161.6m

NAV per share
110.1p

Dividend yield
7.8%

Discount to NAV
5.2%

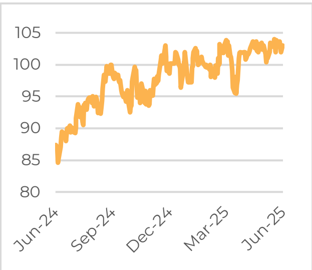
Loan to GAV ratio
25.0%

3mo Av. Daily Volume
373.1k

Management group
AEW UK Investment Management
Laura Elkin, Henry Butt

AIC sector
Property – UK Commercial

Share Price Performance



Source: Bloomberg

AEWU aims for a combination of income and capital growth potential though investing in smaller commercial properties in the UK. Its value-orientated strategy and focus on asset management have fed into to a superior performance record both in absolute terms and versus peers.

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AEW UK REIT plc (AEWU) has reached the tenth anniversary of its IPO in May 2015, providing investors with a share price total return of c 120% since launch (c 80pp ahead of the AIC Property – UK Commercial sector average), as well as ranking highly in its peer group over shorter periods. The UK real estate investment trust (REIT) is highly focused on value investment, acquiring mispriced assets and then maximising income and unlocking capital upside through asset management initiatives. Since our last update, AEWU has sold the bulk of its largest asset, Central Six Retail Park in Coventry, for a 60% premium over the 2021 purchase price of the whole site, and has reinvested the proceeds in two new assets: a collection of high-street retail properties in Hitchin, Hertfordshire, and a strongly trading leisure park in Leicester. It is now once again fully invested, with the exception of a £5m cash buffer and an additional c £5m set aside for planned asset management initiatives. The 2p quarterly dividend, which is fully covered for the year ended 31 March 2025, has been maintained for 38 consecutive quarters since launch, and represents a dividend yield of 7.8% on the current share price.

Managers Laura Elkin and Henry Butt, supported by the resources of AEW, invest in smaller properties (£5-15m), almost wholly (95%) outside London, diversified across sectors, in strong commercial locations but with low capital values versus peers. The result is a higher-than-average income (net initial yield of 7.97%), with capital growth potential through active asset management and the exploration of alternative use values. There are currently 34 properties in the portfolio, let to a total of 128 tenants. AEWU's value-orientated approach has helped it to deliver consistently good returns in a challenging property market, outperforming the MSCI/AREF UK PFI Balanced Funds Quarterly index in property total return terms by 7.4% over one year to end-March 2025 and by 7.7% a year over five years. This superior performance, combined with its differentiated approach, has helped AEWU to trade at a much narrower discount to NAV than peers (5.2% as at 20 June 2025, compared with an average 22.6% for its AIC sector excluding AEWU.

AEWU has strong pipeline of potential purchases across multiple sectors at historically low valuations, offering the chance to build further on its market-leading track record. Its board and managers are therefore keen to explore opportunities to grow the asset base, either through share issuance or via M&A, subject to any such initiative being in the best interests of shareholders.

Bull points	Bear points
• Value-add strategy offers differentiation, with proven record of capital appreciation. • Recent letting activity has had a positive effect on valuations, showing the impact of AEW's active asset management. • Strong pipeline of potential acquisitions. • High dividend yield of 7.8% (backed by NIY of 8.0%) with dividends paid quarterly.	• Slower pace of rate cuts could continue to dent demand for commercial property versus other income-producing assets. • Tougher economic backdrop for SMEs could lead to rising risk of tenant defaults. • No guarantee that debt can be refinanced at such attractive levels before 2027 maturity.

At a Glance (Yr. to 31 March)	Net rental income (£m)	EPRA earnings (£m)	EPRA EPS (p)	NAV*/share (p)	Price/NAV (x)	Yield (%)
FY25**	11.22	14.26	9.00	110.11	0.92	7.89
FY24	13.03	11.55	7.29	102.73	0.84	9.32
FY23	10.80	9.02	5.70	105.48	0.87	8.69
FY22	10.18	10.76	6.79	120.10	1.00	6.68

*EPRA net tangible assets (EPRA NTA) per share. **Estimated – results pending

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Capital Access Group's view

A distinguished decade of value creation

AEWU has marked its tenth anniversary with significant outperformance of its peers and benchmark, adding to its already impressive shorter-term record – a notable feat given the broad range of economic, political, interest rate and inflation environments experienced by the UK during this time. It has achieved this by consistent application of its differentiated, flexible and value-orientated investment approach, with a relatively focused selection (34 properties and 128 tenants) of assets around the UK, chosen for their strong commercial locations, compelling value and opportunities for income and value enhancement through asset management. The portfolio includes exposure to a wide range of sectors and regions (with the exception of Central London, where prices are high and value creation opportunities more limited), together offering a net initial yield of nearly 8% and a reversionary yield of more than 8.75%. The risk of individual tenant defaults is mitigated by the broad and diversified tenant base, rent collection has tended to be close to 100% (even during the pandemic), and the vacancy rate – with some level of voids seen as desirable in terms of achieving rental growth – is consistently below 10%.

The managers' focus on adding value can be observed in the company's performance (see Figure 2), with a clear gap opening versus peers following the first cycle of sales around 2019, and another big step up since the start of 2024 as the second wave of investments have begun to be realised. A preference for higher-yielding properties, often on relatively short leases (at 31 March 2025, the WAULT was 4.1 years to break and 5.7 years to expiry) has underpinned AEWU's ability to generate consistent total returns through a combination of strong asset and tenant selection, low purchase prices per square foot, and asset management to drive both income growth and profitable exits. The REIT ranks top in its AIC sector for share price total returns over 10 years (second over five years and third over one and three years) and is also ranked first for NAV total returns (based on the 31 March 2025 NAV) over one, three, five and 10 years. It has also convincingly outperformed its property total return benchmark, the MSCI/AREF UK PFI Balanced Funds Quarterly index, over all time periods. A relatively high dividend yield of 7.8% is testament to a solid 8p per share annual dividend – paid quarterly at the same level for 38 consecutive quarters since launch. Recent quarters have shown the dividend moving back to full cover, after dipping between FY21 and FY23.

In our view, the recent sale of the bulk of its largest asset, Central Six Retail Park in Coventry, sums up why AEWU's approach has worked so well. Having improved both the physical property and the tenant line-up, the site was fully let by Q2 2024, having been c 24% unoccupied at purchase in late 2021, and operating income was up by c 54% since acquisition. For many property investors, this could have been a cue to sit back and enjoy the enhanced income return. However, AEWU's managers have consistently proved they are not afraid to exit properties where the profit has been made, preferring to challenge on new assets rather than milking a secure yield. With the NIY at 7.49% (versus c 11% at purchase) after a significant increase in the capital value, the team took advantage of a period of strong demand for retail warehouse assets to sell the site in December 2024, rotating into the less favoured high street retail sector with the purchase of a collection of properties in the affluent Hertfordshire commuter town of Hitchin (NIY of 8.31%). In June 2025 the managers increased AEWU's already growing exposure to the leisure sector by buying the Freemans Leisure Park in Leicester, which is fully let to tenants that are trading strongly, yet offers a NIY of 10.6% with a longer-than-average WAULT of more than eight years, locking in a highly attractive income stream.

The pipeline of assets remains attractive, particularly given the current low level of capital values (see Figure 1). This underpins AEWU's desire to grow – either through share issuance or M&A – given the portfolio is currently fully invested.

M&A transactions – such as last year's spate of REIT mergers and the recent £22m purchase by Custodian Property Income REIT of a privately owned family property company – suggest there are still deals to be done, although the AEWU team stresses that any such action would only be undertaken if it was judged to be in the best interest of shareholders.

With interest rates perhaps remaining higher for longer given lingering inflation concerns, we would also note that AEWU's May 2022 move to a fixed rate debt facility – maturing in 2027 with an interest rate below 3% – still looks like a smart decision in the current environment given the Bank base rate is at 4.25%. Although rates are widely expected to have fallen to around the 3.75% level by the time the facility expires, AEWU's dedicated debt team is already exploring options to ensure the REIT can maintain its prudent degree of leverage at a competitive cost.

AEWU's successful record is reflected in multiple award wins, including being named Citywire's best UK property fund (based on three-year NAV total returns) for five years in a row (2020-24), recognition in similar awards from Investment Week (in both 2023 and 2024), and the MSCI UK Property Investment Awards (winning in the listed property funds category for three-year annualised total property returns) in 2023.

Profile: Clearly differentiated UK REIT

AEWU was launched in May 2015 with the objective of delivering an attractive total return to shareholders from investing predominantly in a portfolio of smaller commercial properties in the UK. Its managers follow a value investing approach, aiming to find well located properties in any sector that are attractively priced versus local comparators – usually with low capital values and low passing rents per square foot – and seeking to add value through asset management initiatives.

We consider AEWU's investment **process**, team and board ('**people**'), ESG parameters ('**planet**') and its **policies** on gearing, discount management and fees/charges in detail in our initiation note. In brief, however, the REIT seeks to achieve its investment aims by following a sector-agnostic, opportunistic and total return-orientated approach to both purchases and sales. It focuses on strong commercial locations with low levels of supply (which supports rents and helps to minimise void periods), and actively undertaking asset management on its portfolio of properties in order to maximise income and unlock capital upside.

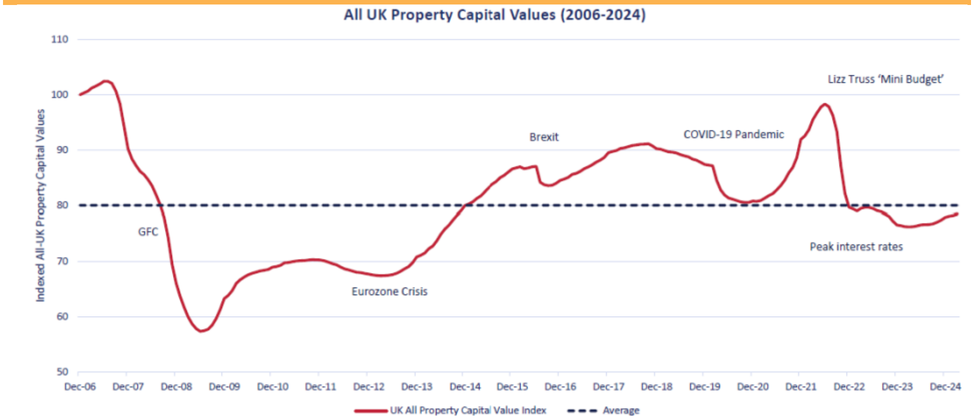
AEWU is externally managed by Laura Elkin and Henry Butt at AEW, one of the world's largest real estate asset managers, with €79.1bn of assets under management as at 31 December 2024. It uses the MSCI/AREF UK PFI Balanced Funds Quarterly index as a benchmark for its property total return performance. Dividends are paid at a rate of 2p per quarter and the current dividend yield (as at 20 June 2025) is 7.8%, the second highest in the eight-strong AIC Property – UK Commercial peer group.

Since our last note, there have been no changes to AEWU's board of directors, although Liz Peace (an existing board member) has taken on the role of senior independent director, and two new committees – a nomination and remuneration committee chaired by Katrina Hart, and a management engagement committee chaired by Robin Archibald, have been established. The experienced board is closely involved in the activities of the company, albeit as non-executives.

Perspective: Abundant opportunities

UK commercial property has faced a difficult environment since the prolonged period of ultra-low interest rates came to an end in 2022. With meaningful returns once more becoming available on lower-risk assets such as cash and government bonds, there has been a flight from alternative income assets such as property, while the rise in interest rates has increased previously low borrowing costs for many players who had relied on cheap debt to build their portfolios. The occupational backdrop has also been more challenging, with changes in working patterns following Covid lockdowns leading many companies to downsize their office space, and higher employer National Insurance contributions and minimum wages putting pressure on the retail and leisure sectors. All these factors have conspired to ensure that the hit to property values that followed the Truss/Kwarteng mini-Budget in September 2022 has yet to see a meaningful reversal, and according to CBRE, property values are close to their lowest point since before AEWU's IPO in May 2015 (Figure 1).

Figure 1: Capital values are close to the lowest point in a decade



Source: AEWU/CBRE, 2025.

AEWU lead manager Laura Elkin argues that this makes it an ideal time to be a value manager in the property space, with the greater opportunity to acquire mispriced assets leading to an attractive pipeline of potential portfolio purchases. Decreased transaction volumes have led to a rise in off-market sales, or those where marketing is limited, which in turn leads to a lack of pricing transparency. It also underlines the importance of having deep knowledge and strong networks within the UK real estate sector in order to unearth opportunities. "It's a particularly interesting time, and depressed valuations across the market today will drive the performance of tomorrow in our strategy," says Elkin.

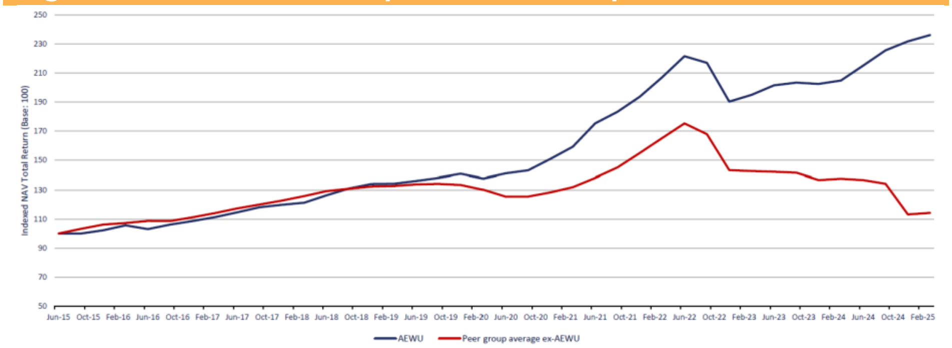
In recent times AEWU's sector-agnostic approach has helped it to pick up attractive assets in less popular areas of the market where larger managers such as pension funds have been divesting. A case in point is the leisure sector, where assets can often be acquired for little more than the land value, yet operator performance has held up better than might have been expected in a cost-of-living crisis. "Leisure is seen as 'out of favour', but if you have done your homework on how the tenants are trading, you can get comfortable with the opportunity," says Elkin. This is exemplified in the newest purchase, Freemans Leisure Park in Leicester (fully let to a range of strongly trading tenants, yet with a NIY above 10%), as well as recent new lettings to Tenpin in Dewsbury and The Climbing Hangar in Bristol, and an expansion of the existing Roxy Lanes venue on the floors above the Bristol climbing wall.

"We see resilience in our tenants: they have faced Covid, inflation and high energy costs and remain trading," says Elkin.

Performance: A clean pair of heels

AEWU's value and income-orientated strategy has continued to drive solid returns, both in absolute terms and relative to peers in the AIC Property – UK Commercial sector and its benchmark, the MSCI/AREF UK PFI Balanced Funds Quarterly index. By avoiding highly valued super-prime locations and focusing on properties with low capital costs, high yields and opportunities to add value, the REIT has produced NAV and share price total returns of 135% and 122% respectively over 10 years to 20 June 2025 (see Figures 3 and 4), significantly outperforming its peer group, a feat repeated over one, three and five years. Factors that had weighed on medium-term absolute returns – including two of AEWU's tenants, Wilko in Bristol and CJ Services in Runcorn, going into administration – have been turned into positives through asset management and new lettings (see Portfolio section). Meanwhile, a relative boost for some peers that had been the subject of M&A activity in the past 12 months has now dropped out of the comparable figures as the acquisitions have been completed.

Figure 2: Cumulative NAV performance vs peers to 31/3/25



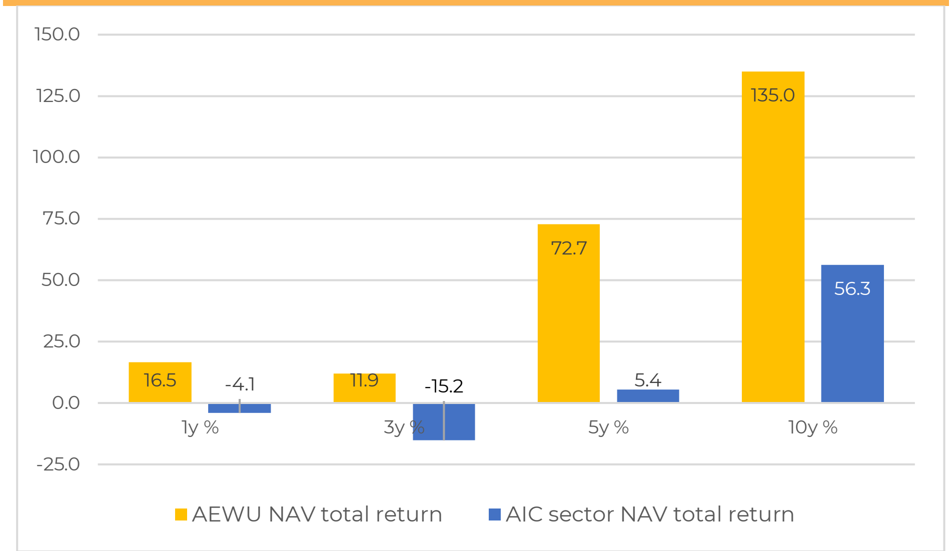
Source: AEWU.

Figure 2 shows AEWU's NAV total return performance versus its UK Diversified REIT peers (see Peer Group section for an explanation) from inception in 2015 until 31 March 2025. The fund's performance was more or less in line with that of its peers for the first four years, but the significant gap that opened up thereafter underlines the differentiation of the strategy: with a focus on adding value and a relatively short average holding period, AEWU was able to pull ahead as it began to dispose of its first batch of assets and recycle the proceeds into higher-yielding opportunities. The NAV outperformance has accelerated again in recent months as a result of active asset management driving income growth, as well as the highly profitable disposal of the Central Six Retail Park in Coventry, a 'second wave' asset acquired in 2021.

The Coventry sale was also a key factor in the impressive 14.8% property total return in the 12 months to 31 March 2025, exactly double the 7.4% return of the benchmark index. While this marks a bumper year in what has been a volatile macroeconomic environment, fund controller George Elliot points to the long-term consistency of annualised property returns – at c 10-11% over five and seven years to end-March – as well as a consistent level of outperformance of the index, averaging 7.7pp over five years and 7.4pp over one year to 31 March 2025. This has come about through AEWU's total return focus, with the value discipline underpinning capital growth potential and asset management helping to drive forward both earnings and property values. "The property market in the UK has been very difficult, but AEWU has delivered good and improving performance, proving its sustainability and resilience," says Elliot.

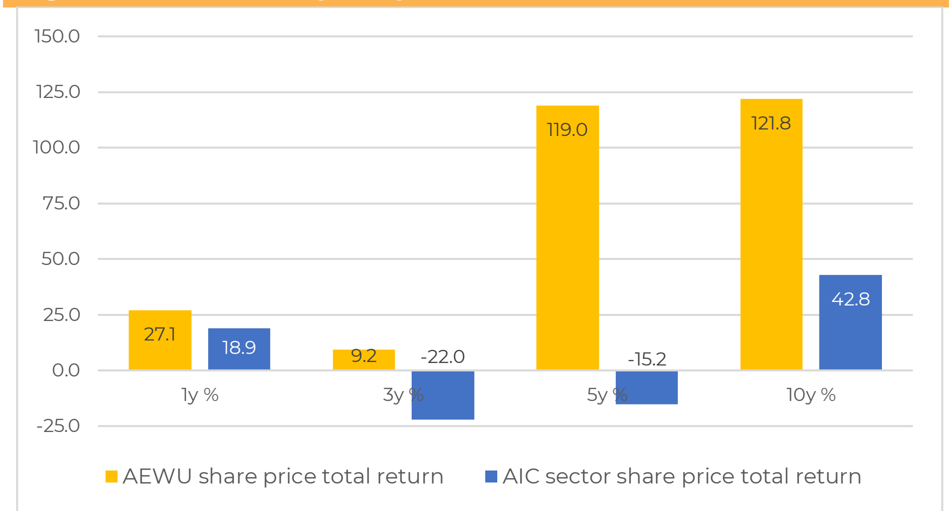
Capital values for the portfolio increased by 1.42% on a like-for-like basis in the quarter ended 31 March 2025, building on a 1.22% increase in the quarter to December. For the 12 months of FY25, like-for-like valuations rose by almost 6%, representing significant outperformance in a market where capital values have been flat at best. The best-performing sectors on a capital basis were retail warehouses and industrials, with high street retail also making a growing contribution in the second half of the year. Valuations were more challenged in the office sector (down 1.80% on a like-for-like basis in Q425 after a 0.79% decline the previous quarter). However, the total return on offices remains ahead of the benchmark, given similar income returns but a lower level of capital value declines.

Figure 3: Cumulative NAV performance vs AIC sector to 20/6/25



Source: AIC/Morningstar, CAG Research.

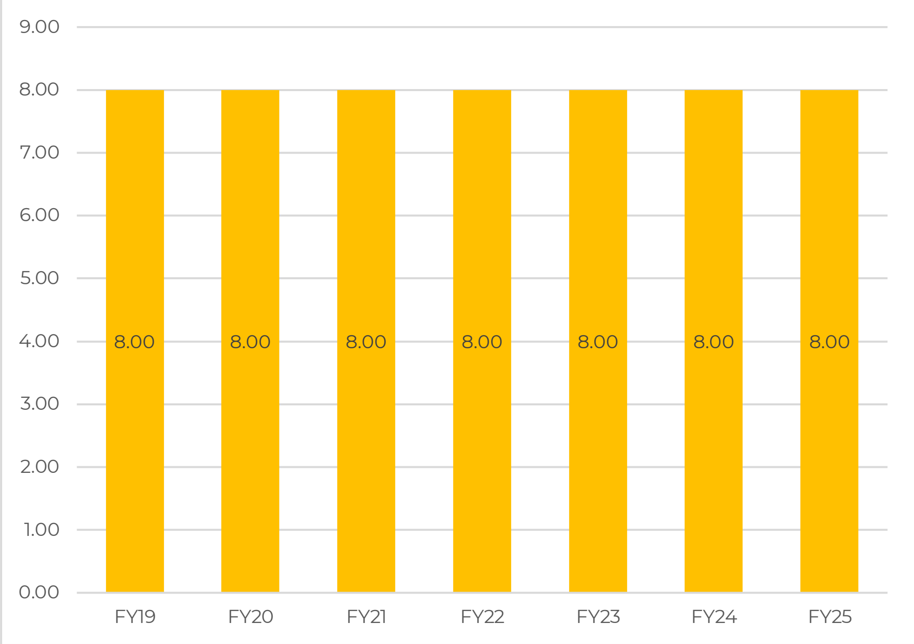
Figure 4: Cumulative price performance vs AIC sector to 20/6/25



Source: AIC/Morningstar, CAG Research.

Dividends are paid quarterly, in February, May/June, August and November/December, and have been maintained at a level of 2p per quarter (8p per year) since June 2016 – a record that now stretches for 38 consecutive quarters.

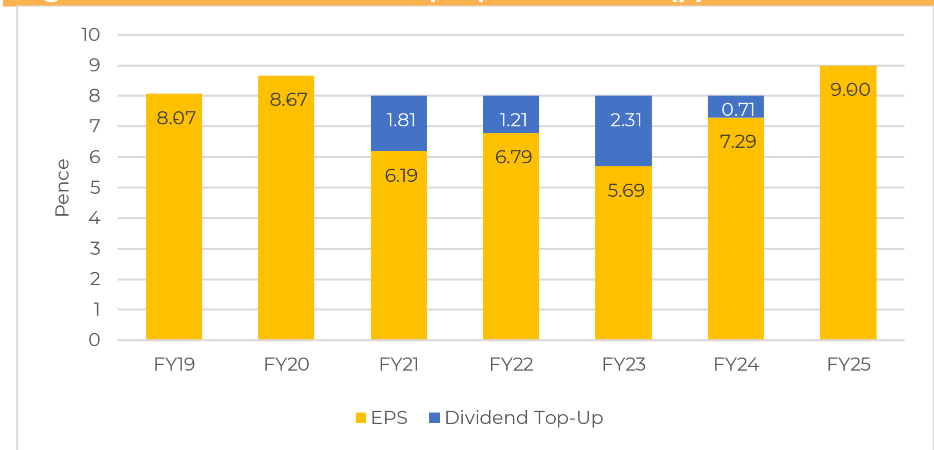
Figure 5: Dividends since FY19 (p): 5y CAGR 0.0% to end-FY25



Source: AEWU, CAG Research.

While many peers cut their dividend payouts during the Covid years, AEWU's total return approach worked to its advantage in this period, allowing the board to make small top-ups out of crystallised profits to keep the payout consistent (see Figure 6). Dividends had been somewhat uncovered by income in recent years (with the 8p annual dividend 71.1% covered by EPRA EPS in FY23, 84.9% in FY22 and 77.4% in FY21). However, the improving trend seen in FY24 (91.1% cover) has been carried into FY25: with underlying EPRA EPS of 9.0p (including the recognition of indemnity income), AEWU's dividend is fully covered (112.5% cover) for the first time since the year ended 31 March 2020, and has been 94% covered on average since inception. There is a large distributable reserve that can be used to support the quarterly income payments if necessary. Based on the 8p annual dividend and the 20 June closing share price of 102.0p, AEWU has a forward and historic dividend yield of 7.8%.

Figure 6: EPS and dividend top-ups since FY19 (p)



Source: AEWU, CAG Research.

Portfolio: A busy period of rotation

At 31 March 2025, there were 33 properties in AEWU's portfolio, let to 124 tenants (34 properties and 128 tenants as at 10 June 2025) with a weighted average unexpired lease term (WAULT) of 4.1 years to break and 5.7 years to expiry. The vacancy rate was 7.5% at 31 March (within the long-term average range of 5-10%), and across the portfolio the net initial yield is 7.97%, with a reversionary yield of 8.76%.

Figure 7: Regional breakdown of portfolio

Region	End-Mar 2025	Change (pp)	Region	End-Mar 2024
South West	29	+2	South West	27
Yorkshire & Humberside	18	+3	West Midlands	21
Eastern	11	+1	Yorkshire & Humberside	15
West Midlands	9	-12	Eastern	10
North West	9	+1	North West	8
South East	9	+5	Wales	7
Wales	7	0	Rest of London	5
Rest of London	5	0	South East	4
East Midlands	2	0	East Midlands	2
Scotland	1	0	Scotland	1
Total	**100**			**100**

Source: AEWU, CAG Research.

Since our last update, AEWU has seen a significant amount of portfolio activity, beginning with the disposal in December 2024 of the bulk of the Central Six Retail Park in Coventry, previously the largest asset. Having been c 24% unoccupied at purchase in late 2021, a series of new lettings to strong tenants in 2024 added markedly to annual rental income (operating income up c 54% since acquisition) as well as bolstering capital values across the park. At the time of disposal, the site was fully let. Units 1-11, representing the main run of units at the site, were sold for £26.25m (£213 per sq ft and a NIY of 7.49%), a 60% premium to the purchase price of the entire property. AEWU has retained the 'triangle site', a long-leasehold joint venture between developer Friargate and Coventry City Council, which Friargate has an option to purchase at any time in a five-year period beginning in July 2025. Butt describes the sale as an excellent illustration of AEWU's strategy of buying properties at low valuations, adding income, improving the tenant line-up and environmental credentials and then deciding when to cash in. The sale was completed during a buoyant period for the retail warehouse sector, maximising returns for AEWU and leaving it with a healthy sum to reinvest amid more muted market conditions following a period of rising bond yields. It brings the average sale-to-purchase premium for AEWU since inception to 37.6% (Figure 10).

The first tranche of reinvestment came in March 2025 with the £10m acquisition of a collection of prime freehold high-street properties on Bancroft and Portmill Lane in Hitchin, Hertfordshire, at a capital value of £213 per sq ft (the same as the sale value of Coventry) and a NIY of 8.31% (an 82bp premium to the NIY on Coventry at sale). Hitchin is an affluent market town in the South East of England, well located for commuting to both London and Cambridge. The site is in the heart of the town and features a strong tenant line-up including M&S Simply Food, Next, Hotel Chocolat and aspirational fashion retailers such as Oliver Bonas, Mint Velvet and Crew Clothing. The property comes in four titles: the main run of shops, two smaller retail units and a vacant office, providing opportunities to add value through asset management or strategic disposals (for example, selling the office space to a residential developer, given the high value of housing in the area. Planning applications locally suggest residential values would be well above £500 per sq ft). Strong recent letting activity, both at the site and elsewhere in the town, and low surrounding vacancies underline the attractiveness of the asset.

The newest purchase, in early June 2025, was Freemans Leisure Park in Leicester, a fully let 8.4 acre freehold site close to the University of Leicester campus with five units including an Odeon Luxe cinema, a Nando's chicken restaurant, a Mecca Bingo hall, a Greene King pub and a Costa Coffee. The asset was bought for £11.15m (£103 per sq ft) at a very attractive NIY of 10.6% with a WAULT to expiry of more than eight years.

Following these two acquisitions, the portfolio is once again fully invested (notwithstanding its usual £5m cash buffer and some funds earmarked for planned asset management initiatives), although the managers note an attractive pipeline of assets given the current low level of capital values across the market.

As shown in Figure 7, the South West remains the top geographical location at 31 March 2025, accounting for just under 30% of the portfolio by value, up by 2pp over 12 months as a result of valuation uplifts largely driven by asset management. The most significant moves over 12 months are a large (-12pp) reduction in the West Midlands as a consequence of the sale of most of the Central Six Retail Park in Coventry, and a 5pp increase in the South East following the purchase in Hitchin. The impact of the most recently announced purchase in Leicester will be seen in the next quarter's results. AEWU's portfolio remains broadly diversified by geography, although in line with the managers' value-orientated approach, there is no exposure to central London, where capital values tend to be highest.

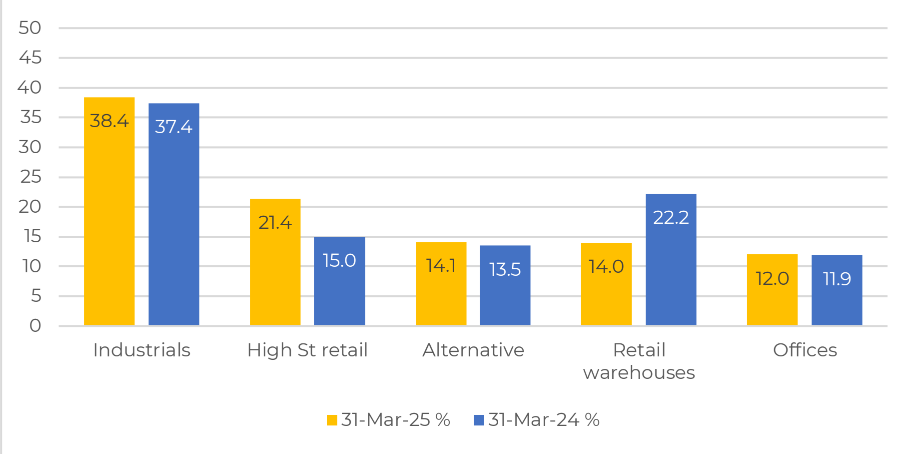
Figure 8: Top 10 holdings (% of portfolio)

Name	Sector	Region	End-Mar 2025	End-Mar 2024
Gresford Industrial Estate, Wrexham	Industrial (single let)	Wales	6.6	6.0
Northgate House, Bath	Mixed use (retail and offices)	South West	6.4	6.1
London East Leisure Park, Dagenham	Other (leisure)	Rest of London	5.4	4.9
Cambridge House, Bath	Mixed use (offices and retail)	South West	5.2	5.2
40 Queen Square, Bristol	Offices	South West	5.1	5.1
Tanner Row, York	Other (multi-storey car park)	Yorkshire & Humberside	4.9	4.8
Bancroft and Portmill Lane, Hitchin	High street retail	South East	4.8	0.0
Arrow Point Retail Park, Shrewsbury	Retail warehouses	West Midlands	4.1	3.9
15-33 Union Street, Bristol	High street retail	South West	4.0	N/A
Apollo Business Park, Basildon	Industrial (multi-let)	Eastern	3.7	3.4
Top 10 (% of portfolio)			**50.1**	**53.1**

Source: AEWU, CAG Research. Note: N/A where not in top 10 at end-March 2024.

Following the Coventry disposal, the largest asset in the portfolio is now at Gresford Industrial Estate in Wrexham, the UK headquarters and main UK production facility of global packaging specialist Plastipak. The property was purchased in March 2018 for a little under £10m (a net initial yield of 8.3%) and is now valued at £13.4m, with seven years still to run on the lease. The remainder of the top 10 properties are a diverse mix of office, industrial, retail and leisure assets. This mirrors the sector diversification of the portfolio as a whole (see Figure 9).

Figure 9: Sector breakdown (% of portfolio at 31 March 2025)



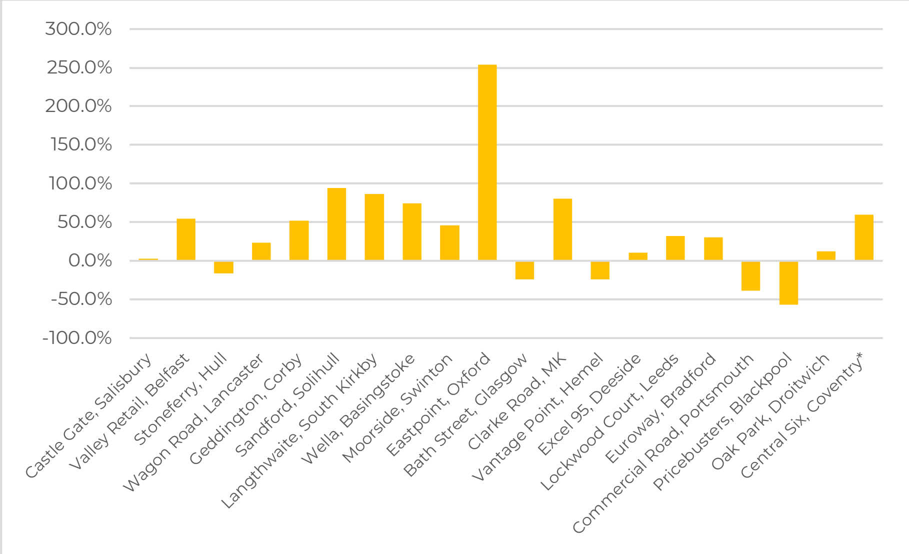
Source: AEWU, CAG Research.

Continuing on the theme of sector rotation that we explored in our last note (looking at the changing weightings of industrial and retail warehouse assets over time), a marked change can be seen in the latest numbers (Figure 9) between retail warehouses and high street retail, reflecting the part-disposal of Coventry and the acquisition in Hitchin. While many investors remain sceptical on the prospects for the high street, particularly given the impact of higher employer NI contributions and a rise in the minimum wage, Butt says many of the headwinds facing the sector in recent years have abated, with online retail growth plateauing, a more accommodative business rates backdrop, and shoppers increasingly seeing a trip to town in the post-Covid era as an occasion rather than a chore, perhaps featuring coffee, lunch or other leisure activities.

Indeed, high street retail was one of the principal drivers of valuation growth in the last quarter of FY25 (the first quarter of calendar 2025), with holdings in the sector increasing in value by 4.0%. This was underpinned by asset management initiatives such as a lease regear at Next in Bromley (moving from a turnover-linked rent to a higher fixed amount) and the letting of part of the former Wilko store in Union Street, Bristol to The Climbing Hangar – meaning the asset is now fully let to leisure operators, with bowling alley Roxy Lanes on the two upper floors. The leases on both parts of the building are coterminous (ending in 2036), giving AEWU the opportunity to explore alternative uses (such as a residential conversion) with full vacant possession.

Industrials remain the largest sector weighting, at a shade below 40%; Butt points to good rental growth potential in the sector, as evidenced by the more than 100bp gap between the average net initial yield of 7.60% and the reversionary yield of 8.62%. Industrials also provided a capital uplift (like-for-like valuation +1.6%) in Q425, mainly driven by activity at two sites in the North of England. A unit at Sarus Court in Runcorn has been let at £8.50 per sq ft (compared with an average passing rent of £5.10 at acquisition) following refurbishment to improve the specification and environmental performance at the site. A second lease renewal at the Pilkington glass hardening works in Bradford has seen the rent moved on by 65% (£105k per annum) since acquisition. In total, over £625,000 of new annual rental income from lettings was added during Q425.

Figure 10: Average sale to purchase price premium of 37.6%



*Source: AEWU. *Part disposal of retail park (Units 1-11); sale premium is relative to entire site acquisition price.*

Peer group: Still riding high

Figure 11: AIC Property – UK Commercial peer group

Name	Total assets (£m)	Price TR 1y	Price TR 3y	Price TR 5y	Price TR 10y	Discount	Gearing	Dividend yield	5y div growth (% pa)
AEW UK REIT	230.1	27.1	9.2	119.0	121.8	-5.2	125	7.8	0.0
Alternative Income REIT	107.3	22.2	11.9	95.1	N/A	-10.1	156	8.3	1.4
Custodian Property Income REIT	646.3	15.9	-6.5	17.1	32.3	-21.1	137	7.6	-2.0
Life Science REIT	374.9	33.6	-50.0	N/A	N/A	-42.4	139	4.6	N/A
Regional REIT	741.7	-42.4	-78.9	-74.6	N/A	-48.5	191	7.7	-25.8
Schroder Real Estate	480.7	28.8	21.8	129.3	59.2	-17.2	150	6.5	11.2
Supermarket Income REIT	1695.1	26.2	-18.7	6.8	N/A	-5.4	150	7.3	1.5
Value & Indexed Property Income	150.4	17.7	-7.0	55.2	32.5	-13.3	147	7.0	2.7
Sector average*	**510.0**	**18.9**	**-22.0**	**15.0**	**42.8**	**-15.6**	**155**	**7.1**	**-0.3**
AEWU rank in sector	**6**	**3**	**3**	**2**	**1**	**1**	**8**	**2**	**5**

*Source: AIC/Morningstar, at 20 June 2025. All % unless stated. *Size-weighted averages.*

AEWU is a member of the Association of Investment Companies' Property – UK Commercial sector, a peer group of funds that invest in UK commercial property but do not specialise in the three subsectors of the market – logistics, healthcare and residential – that have their own AIC peer groups. This leads to a grouping where some funds are generalists but some are specialists in other areas. In Figure 11 above we have included all the members of the AIC peer group (excluding Channel Islands Property Fund, for which very limited data is available, and Aberdeen Property Income Trust (API), which is in managed wind-down and now only has one asset, an area of forestry land in Scotland). However, it is worth noting that AEWU uses a reduced group of 'UK Diversified REITs' for its own comparison purposes; this list excludes the four italicised funds in the above table, all of which have some kind of specialism, such as concentrating on a particular sector, or having a focus on inflation linkage. The diversified REIT sector has been characterised by a spate of M&A activity in recent times, and since we initiated coverage of AEWU in 2024, the comparison group has shrunk from seven funds (including API) to just four (excluding API).

Performance has been strong, with AEWU ranking third, third and second in the AIC peer group for share price total returns respectively over one, three and five years, and first in the recently achieved 10 years since launch. It also comfortably tops the peer group for NAV total returns over all periods (bearing in mind that not all peers have reported 31 March 2025 NAVs). The discount to NAV is also the narrowest in the sector, with almost all peers currently trading at double-digit discounts and a sector weighted average of 22.6% (excluding AEWU) compared with AEWU's 5.2% discount. Gearing (based on AIC methodology) is the lowest in the peer group. Meanwhile, the dividend yield is the second highest in the group – a notable feat given the narrowness of the discount compared with peers. Having chosen to maintain the dividend at a quarterly 2p even when not fully covered by income, AEWU's five-year dividend growth is flat. With the first quarter of 2020 dropping out of the five-year comparison period, the impact of Covid-era dividend cuts by peers is no longer evident in the table, but remains a warning that not all REITs share AEWU's ability – driven by its history of profitable exits – to top up dividends from capital profits in leaner times for portfolio incom

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