

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 £167.93 million or 106.00 pence per share as at 30 September 2023 (30 June 2023: £169.56 million or 107.03 pence per share).
- NAV total return of 0.91% for the quarter (30 June 2023 quarter: 3.36%).
- 0.70% like-for-like valuation increase for the quarter (30 June 2023 quarter increase: 0.74%).
- EPRA earnings per share ("EPRA EPS") for the quarter of 1.84 pence (30 June 2023 quarter: 1.75 pence).
- Interim dividend of 2.00 pence per share for the three months ended 30 September 2023, paid for 32 consecutive quarters and in line with the targeted annual dividend of 8.00 pence per share.
- Loan to NAV ratio at the quarter end was 35.73% (30 June 2023: 35.39%). Loan to GAV ratio at the quarter end was 27.35% (30 June 2023: 30.54%). Significant headroom remains on all loan covenants.
- Company continues to benefit from a low fixed cost of debt of 2.959% until May 2027.
- Purchase of a car park asset in central York for £10.02 million, reflecting a NIY of 9.3%.
- Purchase of a mixed-use asset in central Bath for £11.50 million, reflecting a NIY of 8.0%.
- Post quarter-end disposal of Commercial Road, Portsmouth (high street retail), for £3.90 million, reflecting a 22% premium to the 30 June 2023 valuation.

PORTFOLIO MANAGER'S COMMENTARY

We are pleased to report significant progress this quarter towards the Company's strategic objective of reinvesting capital generated from recent sales into higher yielding assets in core urban locations. The purchases of NCP, York, and Cambridge House, Bath, utilised most of the capital available for deployment and have strengthened earnings. Despite the short-term negative impact on NAV of acquisition costs, these purchases are expected to deliver NAV growth over the medium term.

Following the completion of key asset management transactions at a number of the Company's holdings, the Company's portfolio achieved a like-for-like valuation increase of 0.70%, demonstrating the effectiveness of our active asset management strategy in delivering counter cyclical performance.

The Company has committed to pay its market-leading dividend of 2.00 pence per share per quarter for 32 consecutive quarters, funded mainly by EPRA earnings, and supplemented by profit crystallised on the NAV accretive sale of assets. Further gains in EPRA EPS are expected in the coming quarters as the ongoing programme of new lettings should provide a boost to income streams and a reduction in void costs.

Progress on dividend cover was impacted by the demise of Wilko and the closure of its store at the Company's holding in Union Street, Bristol, in early October. The decision has been made to write-off, in full, all historic arrears yet to be provided for, as well as all amounts charged in the quarter, resulting in a 0.22 pence per share deduction to quarterly EPRA EPS. Following the write-off of these historic Wilko arrears, the ongoing constraint to quarterly EPRA EPS caused by its vacant unit will be

considerably less. Development of an asset management plan for the unit is underway and the Company is confident it will be able to re-let the unit in the near term, given the attractive location of the store within a vibrant area of mixed-use development. We will continue to pursue the tenant's arrears using all appropriate means.

Valuation movements

As at 30 September 2023, the Company owned investment properties with a total fair value of £219.36 million, as assessed by the Company's independent valuer, Knight Frank. The like-for-like valuation increase for the quarter of £1.37 million (0.70%) is broken down as follows by sector:

SECTOR	VALUATION 30 SEPTEMBER 2023		LIKE-FOR-LIKE VALUATION MOVEMENT FOR THE QUARTER	
	£ million	%	£ million	%
Industrial	78.33	35.71	1.04	1.35
Office	26.25	11.97	-0.51	-3.34
High Street Retail	38.16	17.40	-1.16	-2.95
Retail Warehouses	46.25	21.08	1.65	3.70
Leisure	30.37	13.84	0.35	1.75
Total	219.36	100.00	1.37	0.70*

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

INVESTMENT UPDATE

Purchases



Tanner Row, York (car park)

In July, the Company completed the acquisition of a mixed-use asset within York city centre for £10.02m, reflecting an attractive net initial yield of 9.3%. The 99,769 sq ft asset is multi-let to five tenants, with 75% of the income received from National Car Parks Ltd who have a further nine years remaining. The lease benefits from a 2027 rent review which will increase rent payable in line with uncapped Retail Price Index, resulting in a forecast reversionary yield in excess of 10%.



Cambridge House, Bath (office)

In early September, the Company completed the acquisition of a freehold, mixed-use asset in Bath city centre for £11.5m, reflecting an attractive net initial yield of 8.0% and a capital value of £223 per sq ft. The property comprises a rare freehold island site totalling circa 0.4 acres and is located immediately adjacent to the South Gate Shopping Centre which forms part of the city's core retail provision. Bath Spa Train Station is less than a five-minute walk from the property. The 51,632 sq ft asset is multi-let to five tenants across office and retail accommodation.

Sales



Commercial Road, Portsmouth (high-street retail)

Earlier in October, the Company completed the sale of its freehold high-street retail holding at 208-220 Commercial Road and 7-13 Crasswell Street, Portsmouth, for £3.9m, reflecting a net initial yield of 9.9% and a capital value of £251 per sq ft. A sale at this price reflects a circa 22% premium to the 30 June 2023 valuation of £3.2m.

ASSET MANAGEMENT

The Company completed the following asset management transactions during the quarter:



40 Queens Square, Bristol (office)

The Company has recently completed a new five-year ex-Act lease to Environmental Resources Limited with a tenant break option at the end of the third year at a rent of £69,230 per annum (£35 per sq ft). The tenant has the benefit of an initial six-month rent-free period, with a further four months incentive if they do not serve their break option.



Central Six Retail Park, Coventry (retail warehousing)

In September, the Company received formal confirmation of the planning permission for the amalgamation of Unit 6a and Unit 6b and extended delivery hours in order to facilitate the letting to The Food Warehouse. The letting is expected to complete in February 2024.

Post quarter end, the Company also exchanged an agreement for lease with a new tenant, Salvation Army Trading Company Ltd, for Unit 12. The tenant will enter into a new lease expiring on 2 November 2032 with a tenant only break in year five at a rent of £140,000 per annum, reflecting £13.97 per sq ft. The letting includes nine months' rent free. The letting is subject to the landlord securing vacant possession, as the unit is currently occupied by Oak Furnitureland, who are currently paying an annual rent of £25,000, and carrying out Landlord works budgeted at £147,336.

Also, post quarter end, the Company exchanged an agreement for lease with new tenant Whitecross Dental Care Limited, trading as MyDentist, for vacant Unit 4. The tenant will enter into a new 15-year lease with a 10-year tenant break option, at a rent of £145,000 per annum, reflecting £14.29 per sq ft, to be reviewed every five years based on open market value (upward only). The letting includes a £217,500 cash incentive and is subject to the landlord works, at a cost of £237,500.



The Railway Centre, Dewsbury (leisure)

Mecca Bingo, whose lease expires on 24 December 2023, have surrendered their lease early on 29 September 2023, paying all their rent, service charge and insurance to lease expiry. In doing so, the Company has also settled Mecca's dilapidations at £285,000. The Manager is in the process of agreeing terms with an incoming tenant where landlord enabling works will be required. An early surrender of Mecca's lease will facilitate the new letting completing a quarter earlier than otherwise possible.



Oak Park, Droitwich (industrial)

Having completed two new leases in the previous quarter, totalling a rent of £193,000 per annum, the Company has completed a letting at units 272 and 273 to J Warwick Holdings Ltd for a new 15-year term, with rolling tenant break options every three years at a rent of £79,000 per annum. The tenant has the benefit of a six-month rent-free period. The property is now fully let.



Diamond Business Park (industrial)

The Company has settled Compac UK's July 2023 RPI rent review at £53,517 per annum, representing an £11,517 per annum (circa 27%) increase. The unit is still considered under-rented, with an ERV of £4.00 per sq ft, compared to the new passing rent of £3.90 per sq ft.

The Company has also settled Economy Packaging Ltd's August 2023 open market rent review at £79,065 per annum, representing a £26,565 per annum (circa 50%) increase. This letting equates to £3.75 per sq ft and will provide good evidence for further asset management activity.



Westlands Distribution Park, Weston-Super-Mare (industrial)

The Company has completed a lease renewal with JN Baker who have extended their occupation of Unit 2A for a further two years from April 2023, with a mutual break option exercisable after nine months. The agreed rent is £159,000 per annum inclusive of insurance.

The Company has settled three outstanding April 2022 rent reviews with North Somerset Council at units 2, 5 and 6. The combined rental increase is £35,864 per annum (circa 20%).

FUND FACTS

Portfolio Manager

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): £167.93m

Property valuation: £219.36m

Number of properties held: 35

Average lot size: £6.29m

Property portfolio net initial yield (% p.a.)
7.31%

Property portfolio reversionary yield: 8.72%

LTV (Net Asset Value): 35.73%

Average weighted unexpired lease term
To break: 4.45 years **To expiry:** 5.72 years

Occupancy: 93.02%* *** As a % of ERV**

Number of tenants: 147

Share price as at 30 Sep: 98.4p
NAV per share: 106.00p
Premium/(discount) to NAV: (7.17%)

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 2023. 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 2024.

ISIN: GB00BWD24154 **Broker:** Liberum

Ticker: AEWU **SEDOL:** BWD2415

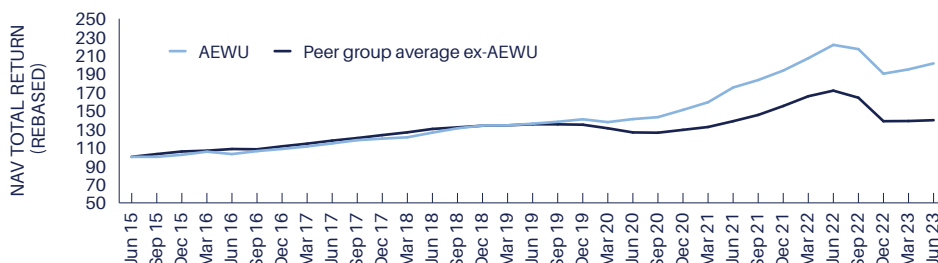
Carr Coatings, Redditch (industrial)

The Company has settled Carrs Coatings Ltd's August 2023 annual uncapped RPI rent review at £294,348 per annum (£7.75 per sq ft), representing a £24,385 per annum (circa 9%) 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).



HISTORIC PERFORMANCE

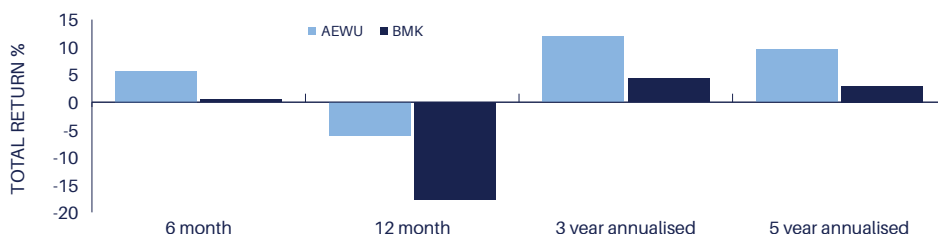
AEWU vs. Peer Group NAV Performance Total Return



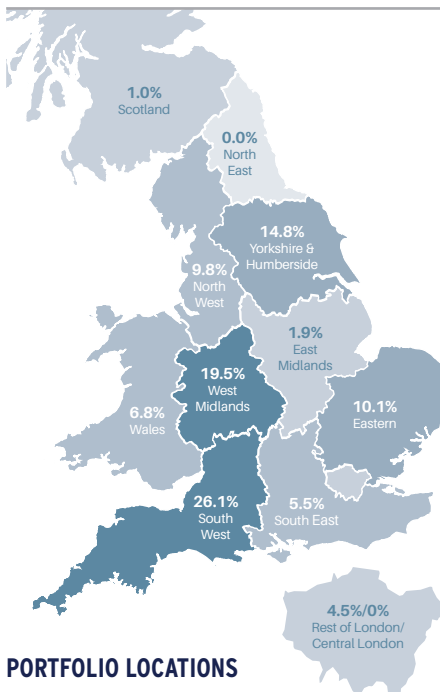
Source: Liberum, October 2023.

Property Total Return Vs. MSCI Benchmark

5-year annualised property total return outperformance of 6.67% above the MSCI benchmark



Source: MSCI 30 June 2023. 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).

SECTOR WEIGHTINGS



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

TOP 10 ASSETS (BY VALUE)

Central Six Retail Park, Coventry	9.8%
Northgate House, Bath	5.9%
Gresford Industrial Estate, Wrexham	5.4%
Cambridge House, Bath	5.2%
40 Queens Square, Bristol	5.2%
NCP, York	4.6%
London East Leisure Park, Dagenham	4.6%
Arrow Point Retail Park, Shrewsbury	3.9%
Apollo Business Park, Basildon	3.3%
Units 1001-1004 Sarus Court, Runcorn	3.3%

KEY CONTACT

Investor Relations

Kari Clarke

kari.clarke@eu.aew.com

T: 020 7016 4804

Important notice This is a communication issued by AEW UK Investment Management LLP (the "Investment Manager"), trading as AEW UK ("AEW UK"). It relates to the AEW UK REIT Plc (the "Company"). This communication cannot be relied upon as the basis on which to make a decision to invest in the Company. This communication does not constitute an invitation or inducement to subscribe to any particular investment. This communication is forwarded to you for information purposes only and does not constitute a personal recommendation. You should seek professional advice before making any investment decision. The value of investments and the income from them can fall as well as rise. An investor may not get back the amount of money invested. Past performance is not a guide to future performance. AEW UK Investment Management LLP believes the information to be correct at the time of writing but does not make any representation as to the accuracy or completeness of the material and does not accept liability for any loss arising from the use hereof. It is under no obligation to ensure that updates to the document are brought to your attention.