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22 October 2018

NAV Update and Dividend Declaration for the three months to 30 September 2018

AEW UK REIT plc (LSE: AEWU) ("the Company"), which, as at 22 October 2018, directly owns a diversified portfolio of 36 regional UK commercial property assets, announces its unaudited Net Asset Value ("NAV") and interim dividend for the three month period ended 30 September 2018.

Alex Short, Portfolio Manager, AEW UK REIT, commented: "This has been another quarter of strong performance for the Company, both in terms of income and capital growth. The Company continues to consolidate its position of having the highest dividend yield in the peer group, in excess of 8%, whilst also providing capital growth, a proportionate level of risk, and is managed by a very experienced team. Looking forward, the Company has a strong pipeline of assets that we would like to purchase in order to grow this strategy."

Highlights

- At 30 September 2018, the fair value independent valuation of the property portfolio was £193.53 million (30 June 2018: £191.95 million), following the sale of 18-36, Chapel Walk, Sheffield, during the quarter. On a like-for-like basis the valuation of the property portfolio increased by £2.48 million (1.30%) over the quarter (30 June 2018: £3.26 million and 1.73%).
- NAV of £151.65 million or 100.06 pence per share (31 March 2018: £149.14 million or 98.40 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.06 pence per share (30 June 2018: 2.04 pence per share), in line with the Company's target annual dividend of 8.00 pence per share.
- The Company today announces an interim dividend of 2.00 pence per share for the three months ended 30 September 2018.
- NAV total return of 3.80% and shareholder total return of 0.42% for the three months ended 30 September 2018.
- The Company remains conservatively geared with a gross loan to value ratio of 25.84% (30 June 2018: 26.05%).
- At 30 September 2018, the Company held £7.40 million cash for investment, most of which we expect to invest in an attractive and high-yielding asset in the coming months.
- Portfolio and asset management activity during the period included:
 - The letting of Orion House, Eastpoint Business Park, Oxford, for a term of 25 years at a rent of £179,410 per annum.
 - The letting of Third Floor East, 225 Bath Street, Glasgow for a five year term at a rent of £88,608 per annum.
 - The sale of 18-30, Chapel Walk, Sheffield for gross proceeds of £0.90 million.

Alex Short, Portfolio Manager, AEW UK REIT, commented:

"This has been another quarter of strong performance for the Company, both in terms of income and capital growth. The Company continues to consolidate its position of having the highest dividend yield in the peer group, whilst providing both capital growth, a proportionate level of risk, and is managed by a very experienced team. Asset Management continues to deliver strong performance with deals now being progressed on the majority of assets in the portfolio. The Company's vacancy is now at an all-time low with a 97% occupancy rate, and as a result we have seen a covered dividend for the last two quarters. Ongoing potential income growth raises the prospects for the Company's earnings in the near future.

The performance of the portfolio, both in terms of income and capital, also reinforces the success of the strategy we continue to pursue. The Company holds a significantly underweight retail position and has no exposure to London offices, reflecting our view on the poor performance prospects in these sectors. The few retail assets we do own were purchased in areas of high land value with options for long term alternative uses.

The Company's largest sector exposure remains well located, second hand industrial warehousing, where we are commonly seeing rental value growth of 20-30% when we reach a lease event. This is, in part, as a result of our stock selection expertise focusing on well located assets, in areas of low supply, that have been purchased at levels below replacement cost and with an income stream that provides strong returns.

Notable new lettings this quarter include c 13,000 sq ft at Eastpoint Business Park, Oxford, where a new 20 year lease to Genesis Health Care has been completed, increasing the value of the estate by c. 23% over the quarter. A new letting of c. 8,000 sq ft has also been completed at Bath Street in Glasgow which will increase the income received from this asset by c. £90,000 per annum following the expiry of the tenant's rent free period.

Looking forward, the Company has a strong pipeline of assets that we would like to purchase. With a yield in excess of 8% and capital value growth as well, we think that we are in a position to expand the size of the portfolio. As the Company's asset management initiatives are reaching maturity, we are starting to see promising returns, which we believe could be replicated in other attractive opportunities as we continue to track a strong pipeline of assets.

Net Asset Value

The Company's unaudited NAV as at 30 September 2018 was £151.65 million, or 100.06 pence per share. This reflects an increase of 1.69% compared with the NAV as at 30 June 2018. This increase is largely due to the increase in fair value of the investment property portfolio of £2.50 million. The Company's NAV total return, which includes the interim dividend for the period from 1 April 2018 to 30 June 2018 of 2.00 pence per share, is 3.80% for the three month period ended 30 September 2018. As at 30 September 2018, the Company owned investment properties with a fair value of £193.53 million.

	Pence per share	£ million
NAV at 1 July 2018	98.40	149.14
Loss on disposal of investment properties	(0.05)	(0.08)
Capital expenditure	(0.10)	(0.15)
Valuation change in property portfolio	1.75	2.65
Income earned for the period	2.81	4.26
Expenses and net finance costs for the period	(0.75)	(1.14)
Interim dividend paid	(2.00)	(3.03)
NAV at 30 September 2018	100.06	151.65

The NAV attributable to the ordinary shares has been calculated under International Financial Reporting Standards and incorporates the independent portfolio valuation as at 30 September 2018 and income for the period, but does not include a provision for the interim dividend for the three month period to 30 September 2018.

Dividend

The Company today announces an interim dividend of 2.00 pence per share for the period from 1 July 2018 to 30 September 2018. The dividend payment will be made on 30 November 2018 to shareholders on the register as at 2 November 2018. The ex-dividend date will be 1 November 2018.

The dividend of 2.00 pence per share will be designated 1.50 pence per share as an interim property income distribution ("PID") and 0.50 pence per share as an interim ordinary dividend ("non-PID").

The EPRA EPS for the three month period to 30 September 2018 was 2.06 pence (30 June 2018: 2.04 pence), exceeding the target 2.00 pence per share quarterly dividend. Based on the current leasing profile of the portfolio, and with all else being equal, the current level of earnings is expected to be sustainable. The Company had £7.40 million cash for investment as at 30 September 2018, which will provide the opportunity to increase earnings further through re-investment into high yielding assets.

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. Based on current market conditions, the Company expects to pay an annualised dividend of 8.00 pence per share in respect of the financial period ending 31 March 2019.

Investors should note that this target is for illustrative purposes only, based on current market conditions and is not intended to be, and should not be taken as, a profit forecast or estimate. Actual returns cannot be predicted and may differ materially from this illustrative figure. There can be no assurance that the target will be met or that any dividend or total return will be achieved.

Financing

Equity

The Company's issued share capital consists of 151,558,251 Ordinary Shares and there was no movement during the quarter.

Debt

The Company's borrowings remained at £50.00 million throughout the quarter and at 30 September 2018, the Company was geared at a gross loan to value of 25.84% and a net loan to value of 21.63%.

The loan continues to attract interest at LIBOR + 1.4%. To mitigate the interest rate risk that arises as a result of entering into a variable rate linked loan, the Company has entered into interest rate caps on £36.51 million of the total value of the loan (£26.51 million at 2.5% cap rate and £10.00 million at 2.0% cap rate), resulting in the loan being 73% hedged. The Investment Manager and the Company will keep the levels of gearing and hedging under review.

The Company is in the process of amending its credit facility agreement to extend the term of the facility by at least three years beyond the current termination date in October 2020. The amended and restated loan agreement is expected to be signed in the coming weeks and the Directors consider that extending the term of the facility will be risk mitigating.

Portfolio activity and asset management

Eastpoint Business Park, Oxford

In August 2018, the Company completed the letting of Orion House, Eastpoint Business Park, Oxford, to Genesis Cancer Care UK Limited. The lease is for a term of 25 years, at a rent of £179,410 per annum. There are five-yearly, upward only rent reviews linked to the Retail Price Index ("RPI") measure of inflation and the tenant benefits from a 12 month rent free period, followed by six years at half rent. The valuation of the property increased by 22.7% over the period, largely as a result of this transaction.

225 Bath Street, Glasgow

In July 2018, the Company completed the letting of Third Floor East, 225 Bath Street, Glasgow, to International Correspondence Schools Limited. The lease is for a term of five years, with a tenant break option at the end of the third year, at a rent of £88,608 per annum. The tenant benefits from a ten month rent free period.

Chapel Walk, Sheffield

Also in July the Company completed a part sale of a retail asset in Sheffield. The sale comprised largely vacant elements of the asset on Chapel Walk which comprised c. 0.4% of the whole portfolio vacancy at the time of sale.

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Notes to Editors

About AEW UK REIT

AEW UK REIT plc (LSE: AEWU) aims to deliver an attractive total return to shareholders by investing predominantly in smaller commercial properties (typically less than £10 million), on shorter occupational leases in strong commercial locations across the United Kingdom. The Company was listed on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 12 May 2015, raising £100.5m. Since IPO it has raised a further £51m.

The Company is currently invested in office, retail, industrial and leisure assets, with a focus on active asset management, repositioning the properties and improving the quality of the income stream.

AEWU is currently paying an annualised dividend of 8p per share.

www.aewukreit.com

About AEW UK Investment Management LLP

AEW UK Investment Management LLP employs a well-resourced team comprising 25 individuals covering investment, asset management, operations and strategy. It is part of AEW Group, one of the world's largest real estate managers, with just over EUR62bn of assets under management as at 30 June 2018. AEW Group

comprises AEW SA and AEW Capital Management L.P., a U.S. registered investment manager and their respective subsidiaries. In Europe, as at 30 June 2018, AEW Group managed nearly EUR30bn in value in properties of all types located in 14 countries, with close to 400 staff. The Investment Manager is a 50:50 joint venture between the principals of the Investment Manager and AEW.

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