

AEW UK REIT plc (AEWU)

26-Apr-2019 / 07:00 GMT/BST

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26 April 2019

NAV Update and Dividend Declaration for the three months to 31 March 2019

AEW UK REIT plc (LSE: AEWU) ("the Company"), which, as at 26 April 2019, directly owns a diversified portfolio of 35 regional UK commercial property assets, announces its unaudited Net Asset Value ("NAV") and interim dividend for the three month period ended 31 March 2019.

Highlights

- At 31 March 2019, the fair value independent valuation of the property portfolio was £197.61 million (31 December 2018: £192.66 million), following the acquisition of Lockwood Court, Leeds, and the sale of Waggon Road, Mossley, during the quarter. On a like-for-like basis the valuation of the property portfolio decreased by £1.75 million (0.91%) over the quarter (31 December 2018: increase of £1.03 million and 0.53%).
- NAV of £149.46 million or 98.61 pence per share (31 December 2018: £152.12 million or 100.37 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 1.99 pence per share (31 December 2018: 1.98 pence per share).
- The Company today announces an interim dividend of 2.00 pence per share for the three months ended 31 March 2019, in line with the targeted annual dividend of 8.00 pence per share.
- Shareholder total return of 5.6% for the three months ended 31 March 2019.
- The Company remains conservatively geared with a gross loan to value ratio of 25.30% (31 December 2018: 25.95%).
- At 31 March 2019, the Company held £1.84 million cash for investment which will be held for future capex projects.
- Portfolio and asset management activity during the period included:
 - The acquisition of Lockwood Court, Parkside Industrial Estate, Leeds, for a net purchase price of £6.93 million. The 187,794 sq ft warehouse asset is fully let to LWS Yorkshire Ltd, a logistics and storage provider for Harrogate Spring Water, on a 10 year lease from October 2018.
 - The disposal of Waggon Road, Mossley, for gross proceeds of £450,000, ahead of the most recent valuation of £350,000.

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

"The first quarter of 2019 has seen the Company's EPRA EPS figure increase slightly to 1.99 pence per share, as the portfolio's income stream remains stable and the vacancy level remains low at 2.99% by ERV.

Whilst it had been hoped that the first quarter of 2019 would have removed some element of political uncertainty, the Brexit deadline has been extended to 31 October 2019 which is expected to hinder UK economic growth and investment. It is hoped that the extension has eliminated the possibility of a 'no deal' outcome which would likely have had a significant negative impact on the UK property market. We think that the portfolio is well positioned to mitigate the risks in the wider economy, having no exposure to the Central London Office Market. However, the well-publicised headwinds facing the retail sector mean that the Company's property portfolio has seen a like-for-like decrease in valuation over the quarter, albeit the overall impact is relatively low given the Company's limited exposure to the retail market.

The like-for-like valuation decrease for the quarter of £1.75 million (0.91%) is detailed as follows by sector:

Sector	Valuation 31 March 2019 £ million	Valuation movement for the quarter £ million	Valuation movement for the quarter %
Industrial	94.13	0.20	0.23
Office	43.21	0.00	0.00
Other	30.02	(0.30)	(0.99)
Retail	30.25	(1.65)	(5.17)
Total	197.61	(1.75)	(0.91)

The Company's industrial assets continue to perform relatively well and make up 47.6% of the portfolio valuation as at 31 March 2019. We continue to see attractive opportunities in the industrial sector, as evidenced by the acquisition of Lockwood Court, Leeds, during the quarter. We hope to take advantage of further opportunities in industrials, subject to cash becoming available for investment.

The Company also profited on the disposal of one of its smaller industrial assets during the quarter. Waggon Road, Mossley, was sold at auction for gross proceeds of £450,000 compared with its most recent valuation of £350,000.

Although the Company's retail assets have reduced in valuation, we believe that our downside risk is limited by the strong alternative use values and asset management options, as most of these assets are located in town and city centre locations with large catchment populations. This is in addition to the fact that the Company has relatively low overall exposure to retail, as it makes up 15.3% of the portfolio valuation.

Whilst we have a low level of vacancy in the portfolio, we expect to continue adding value through an active approach to asset management. The portfolio has a weighted average unexpired lease term of 4.9 years to break and over £2 million of passing rent reaching a lease event within the next 12 months. This will allow the opportunity to negotiate higher rents and boost the income profile of the portfolio. We continue to see attractive opportunities across our target sectors and look forward to raising additional capital under our placing programme to pursue those opportunities as and when market conditions allow."

Net Asset Value

The Company's unaudited NAV as at 31 March 2019 was £149.46 million, or 98.61 pence per share. This reflects a decrease of 1.75% compared with the NAV as at 31 December 2018. The Company's NAV total return, which includes the interim dividend for the period from 1 January 2019 to 31 March 2019 of 2.00 pence per share, is 0.24% for the three month period ended 31 March 2019. As at 31 March 2019, the Company owned investment properties with a fair value of £197.61 million.

	Pence per share	£ million
NAV at 1 January 2019	100.37	152.12
Portfolio acquisition costs	(0.29)	(0.44)
Profit on disposal of investment properties	0.06	0.09
Capital expenditure	(0.01)	(0.01)
Valuation change in property portfolio	(1.35)	(2.04)
Valuation change in derivatives	(0.16)	(0.24)

Income earned for the period	2.86	4.32
Expenses and net finance costs for the period	(0.87)	(1.32)
Interim dividend paid	(2.00)	(3.03)
NAV at 31 March 2019	98.61	149.46

The NAV attributable to the ordinary shares has been calculated under International Financial Reporting Standards and incorporates the independent portfolio valuation as at 31 March 2019 and income for the period, but does not include a provision for the interim dividend for the three month period to 31 March 2019.

Dividend

The Company today announces an interim dividend of 2.00 pence per share for the period from 1 January 2019 to 31 March 2019. The dividend payment will be made on 31 May 2019 to shareholders on the register as at 10 May 2019. The ex-dividend date will be 9 May 2019.

The dividend of 2.00 pence per share will be designated 2.00 pence per share as an interim property income distribution ("PID").

The EPRA EPS for the three month period to 31 December 2018 was 1.99 pence (31 December 2018: 1.98 pence). Excluding one-off costs relating to the issue of the Company's Prospectus, the underlying EPRA EPS was 2.11 pence per share, compared with an underlying EPRA EPS of 2.05 pence per share for the quarter to 31 December 2018.

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 2020.

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 31 March 2019, the Company was geared at a gross loan to value of 25.30% and a net loan to value of 24.37%.

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) up to October 2020, resulting in the loan being 73% hedged. The Investment Manager and the Company will keep the levels of gearing and hedging under review.

The loan term runs to October 2023 and the Company has entered into additional interest rate caps covering the period from October 2020 to October 2023, capping a notional value of £46.51 million at LIBOR of 2.0% per annum, which represents 90% of the current £50.00 million loan balance.

Portfolio activity and asset management

Lockwood Court, Leeds

In February 2019, the Company acquired an industrial asset, Lockwood Court, Parkside Industrial Estate, Leeds, for a purchase price of £6.93 million. The 187,794 sq ft warehouse asset is fully let to LWS Yorkshire Ltd, a logistics and storage provider for Harrogate Spring Water on a ten year lease from October 2018. The lease provides a low passing rent of £3.22 per sq ft which, together with tight supply, forms a strong base for future potential rental growth.

Located two miles south of Leeds City Centre and close to J25 of the M62 and J40 of the M1, Parkside Industrial Estate is a well-established industrial and commercial area with a history of attracting regional and national occupiers.

Waggon Road, Mossley

In March 2018, the Company completed the disposal of Waggon Road, Mossley, for a price of £450,000, ahead of the most recent valuation of £350,000.

LEI: 21380073LDXHV2LP5K50

Enquiries

AEW UK

Alex Short

alex.short@eu.aew.com

+44(0) 20 7016 4848

Nicki Gladstone

nicki.gladstone-ext@eu.aew.com

+44(0) 7711 401 021

Company Secretary

Link Company Matters Limited

aewu.cosec@linkgroup.co.uk

T: +44(0) 1392 477500

TB Cardew

Ed Orlebar

ed.orlebar@tbcardew.com

T: 07738 724 630

Lucy Featherstone

lucy.featherstone@tbcardew.com

T: +44 (0) 20 7002 1482

M: +44 (0) 7789 374 663

Liberum Capital

Gillian Martin/Owen Matthews

T: +44 (0) 20 3100 2000

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 26 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 EUR65.4bn of assets under management globally as at 31 December 2018. The AEW Group comprises AEW SA in Europe and AEW Capital Management L.P. in the US and their respective subsidiaries as well as AEW UK Investment Management LLP. In Europe, as at 31 December 2018, AEW Group managed EUR31.4bn in value in properties of all types located in 16 countries, with over 400 staff located in 9 offices. The Investment Manager is a 50:50 joint venture between the principals of the Investment Manager and AEW.

ISIN: GB00BWD24154

Category Code: MSCH

TIDM: AEWU

LEI Code: 21380073LDXHV2LP5K50

OAM Categories: 3.1. Additional regulated information required to be disclosed under the laws of a Member State

Sequence No.: 8365

EQS News ID: 803661

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