

AEW UK REIT plc (AEWU)

25-Jul-2019 / 12:00 GMT/BST

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25 July 2019

NAV Update and Dividend Declaration for the three months to 30 June 2019

AEW UK REIT plc (LSE: AEWU) ("the Company"), which, as at 25 July 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 30 June 2019.

Highlights

- At 30 June 2019, the fair value independent valuation of the property portfolio was £196.56 million (31 March 2019: £197.61 million). On a like-for-like basis the valuation of the property portfolio decreased by £1.05 million (0.53%) over the quarter (31 March 2019: decrease of £1.75 million and 0.91%).
- NAV of £148.33 million or 97.87 pence per share (31 March 2019: £149.46 million or 98.61 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.25 pence per share (31 March 2019: 1.99 pence per share).
- The Company today announces an interim dividend of 2.00 pence per share for the three months ended 30 June 2019, in line with the targeted annual dividend of 8.00 pence per share.
- Shareholder total return of 7.6% for the three months ended 30 June 2019 (three months ended 31 March 2019: 5.6%), driven by an increase in share price to 97.88 pence per share as at 30 June 2019 (31 March 2019: 92.80 pence per share).
- The Company remains conservatively geared with a gross loan to value ratio of 25.44% (31 March 2019: 25.30%).
- At 30 June 2019, the Company held £1.11 million cash for investment which will be held for future capex projects.

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

"This quarter, the Company's EPRA EPS has increased to 2.25 pence per share, as the Company remains fully invested and continues to benefit from its high occupancy rate and the success of key asset management transactions.

The increase in EPRA EPS comes largely from a combination of increased rental income, due to the impact of rent reviews and the most recent acquisition of Lockwood Court in Leeds, and the one-off Prospectus costs having been accounted for in the prior quarter's EPRA EPS, which no longer impacts the EPRA EPS this quarter. The vacancy rate remains low at only 3.04% and we expect that the shorter than average portfolio Weighted Average Unexpired Lease Term ("WAULT") of 4.27 years to break and 5.56 years to expiry will provide the opportunity to boost income streams further through the negotiation of higher levels of rent, particularly in the business space sectors which constitute 69.8% of the portfolio.

Uncertainty remains in the wider political and economic environment. We hope that the appointment of a new Prime Minister may bring a resolution to the ongoing Brexit negotiations later this year which would provide some certainty to investors and allow the opportunity for further growth in the near future.

The like-for-like valuation decrease for the quarter of £1.05 million (0.53%) is detailed as follows by sector:

Sector	Valuation 30 June 2019 £ million	Valuation movement for the quarter £ million	Valuation movement for the quarter %
Industrial	93.88	(0.25)	(0.27)
Office	43.21	0.00	0.00
Other	30.02	0.00	0.00
Retail	29.45	(0.80)	(2.64)
Total	196.56	(1.05)	(0.53)

While the income profile of the portfolio remains strong, valuations have suffered in the retail sector, partly due to the wider economic environment, but largely due to structural changes causing a mismatch of demand and supply in many areas of the retail market. As shown above, our office and alternatives valuations have remained flat for the quarter, while the valuation of industrials has seen a small decrease and our retail valuations have fallen more significantly. Our retail valuation movement reflects the continued struggles of the sector as a whole. However, we consider the portfolio to be defensively positioned, with retail making up just 15.0% of the portfolio valuation. Our income streams from retail assets have also remained relatively unaffected amongst an environment of company failures and CVAs.

We are encouraged by the results of the Company, both for the year ended 31 March 2019, which were released on 24 June 2019, and for the quarter ended 30 June 2019. Both demonstrate the reliable income stream of the portfolio, allowing the Company to consistently achieve its target dividend of 8.00 pps per annum over the respective periods. We feel that this portfolio forms a strong base from which to grow further and we hope to be able to capitalise on attractive opportunities in the market by raising additional capital under our placing programme."

Net Asset Value

The Company's unaudited NAV as at 30 June 2019 was £148.33 million, or 97.87 pence per share. This reflects a decrease of 0.76% compared with the NAV as at 31 March 2019. 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 1.28% for the three month period ended 30 June 2019. As at 30 June 2019, the Company owned investment properties with a fair value of £196.56 million.

	Pence per share	£ million
NAV at 1 April 2019	98.61	149.46
Capital expenditure	(0.11)	(0.16)
Valuation change in property portfolio	(0.85)	(1.29)
Valuation change in derivatives	(0.03)	(0.05)
Income earned for the period	2.93	4.43
Expenses and net finance costs for the period	(0.68)	(1.03)
Interim dividend paid	(2.00)	(3.03)
NAV at 30 June 2019	97.87	148.33

The NAV attributable to the ordinary shares has been calculated under International Financial Reporting Standards and incorporates the independent portfolio valuation as at 30 June 2019 and income for the period, but does not include a provision for the interim dividend for the three month period to 30 June 2019.

Dividend

The Company today announces an interim dividend of 2.00 pence per share for the period from 1 April 2019 to 30 June 2019. The dividend payment will be made on 30 August 2019 to shareholders on the register as at 9 August 2019. The ex-dividend date will be 8 August 2019.

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 June 2019 was 2.25 pence (31 March 2019: 1.99 pence). This increase is partly attributable to one-off costs equating to 0.12 pps having been recognised in the prior quarter. Rental income also increased by 0.07 pps this quarter, due to rent reviews coming into effect and due to a full quarter's income from the most recent acquisition of Lockwood Court, Leeds, being recognised.

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 30 June 2019, the Company was geared at a gross loan to value of 25.44% and a net loan to value of 24.67%.

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 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 93% of the current £50.00 million loan balance. The Investment Manager and the Company will keep the levels of gearing and hedging under review.

Portfolio activity and asset management

Brockhurst Crescent, Walsall

The Company has exchanged contracts on the surrender and re-letting of Unit 1, Brockhurst Crescent, Walsall. The rent will be unchanged at £231,728 and the new tenant will benefit from a nine month rent free period. The new term will be for eight years, compared with 3.15 years remaining on the previous lease.

Clarke Road, Milton Keynes

A rent review was agreed and documented in March 2019, increasing the rent from £134,000 per annum (£4.75 per sq ft) to £185,000 per annum (£5.15 per sq ft).

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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 £15 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 EUR67.6bn of assets under management as at 31 March 2019. 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 31 March 2019, AEW Group managed EUR31.8bn of real estate assets on behalf of a number of funds and separate accounts 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. In May 2019, AEW UK Investment Management LLP was awarded Property Manager of the Year at the Pensions and Investment Provider Awards.

www.aewuk.co.uk

LEI: 21380073LDXHV2LP5K50

ISIN: GB00BWD24154

Category Code: MSCM

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.: 14662

EQS News ID: 846903

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