

## AEW UK REIT plc (AEWU)

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18 October 2019

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

AEW UK REIT plc (LSE: AEWU) ("the Company"), which, as at 18 October 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 September 2019.

#### Highlights

- At 30 September 2019, the fair value independent valuation of the property portfolio was £196.05 million (30 June 2019: £196.56 million). On a like-for-like basis the valuation of the property portfolio decreased by £0.51 million (0.26%) over the quarter (30 June 2019: decrease of £1.05 million and 0.53%).
- NAV of £147.55 million or 97.36 pence per share (30 June 2019: £148.33 million or 97.87 pence per share).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.13 pence per share (30 June 2019: 2.25 pence per share).
- The Company today announces an interim dividend of 2.00 pence per share for the three months ended 30 September 2019, in line with the targeted annual dividend of 8.00 pence per share.
- NAV total return of 1.52% for the three months ended 30 September 2019 (three months ended 30 June 2019: 1.28%).
- The Company remains conservatively geared with a gross loan to value ratio of 25.50% (30 June 2019: 25.44%).

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

"Despite the backdrop of ongoing political uncertainty, the Company remains confident in its ability to deliver on its objectives. The value of our assets has remained robust to date, particularly in the office and industrial sectors, where assets have either been acquired at conservative levels or provide exciting value-add opportunities. There has been some loss of value in retail assets, in line with the structural changes that we are seeing across the retail sector, however, this has been mitigated by the portfolio's light exposure to the sector at 14.2% and also by value gains in other parts of the portfolio. EPRA Earnings cover of the quarterly 2 pence per share dividend remains healthy, at 106% this quarter.

The portfolio, now increasingly mature, is offering us numerous opportunities to undertake asset management initiatives which provide various potential routes to add value. Over the past quarter this has included the settlement of an industrial rent review in Bradford at an increase of 14% above the level of our valuer's ERV. In addition, post quarter-end, we have completed a lease extension on an industrial unit in Basingstoke, which has been achieved at 46% above the previous passing rent due to its short term.

Despite our positive outlook for the portfolio, we are conscious of the opportunity to limit downside risk in an uncertain macro environment and, with this in mind, we have recently taken a number of steps to reduce risk associated with the Company's debt facility. In October 2018, we documented the extension of the loan's term, pushing expiry from October 2020 to October 2023. In addition, earlier this month we completed an amendment to the loan agreement with RBSi, which increases the loan to NAV covenant from 45% to 55%, subject to certain conditions. Neither of these changes have increased the current ongoing cost of the facility, other than incurring up-front fees. Our aim is to continue to keep gearing at a conservative level in accordance with the Company's stated policy."

The like-for-like valuation decrease for the quarter of £0.51 million (0.26%) is detailed as follows by sector:

Sector	Valuation 30 September 2019 £ million	Valuation movement for the quarter £ million	Valuation movement for the quarter %
Industrial	93.93	0.05	0.05
Office	44.35	1.14	2.65
Other	30.02	0.00	0.00
Retail	27.75	(1.70)	(5.77)
Total	196.05	(0.51)	(0.26)

#### Net Asset Value

The Company's unaudited NAV as at 30 September 2019 was £147.55 million, or 97.36 pence per share. This reflects a decrease of 0.53% compared with the NAV as at 30 June 2019. The Company's NAV total return, which includes the interim dividend for the period from 1 April 2019 to 30 June 2019 of 2.00 pence per share, is 1.52% for the three-month period ended 30 September 2019. As at 30 September 2019, the Company owned investment properties with a fair value of £196.05 million.

	Pence per share	£ million
NAV at 1 July 2019	97.87	148.33
Capital expenditure	(0.06)	(0.09)
Valuation change in property portfolio	(0.54)	(0.82)
Valuation change in derivatives	(0.04)	(0.06)
Income earned for the period	2.87	4.34
Expenses and net finance costs for the period	(0.74)	(1.12)
Interim dividend paid	(2.00)	(3.03)
NAV at 30 September 2019	97.36	147.55

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 2019 and income for the period, but does not include a provision for the interim dividend for the three month period to 30 September 2019.

## Dividend

The Company today announces an interim dividend of 2.00 pence per share for the period from 1 July 2019 to 30 September 2019. The dividend payment will be made on 29 November 2019 to shareholders on the register as at 1 November 2019. The ex-dividend date will be 31 October 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 30 September 2019 was 2.13 pence (30 June 2019: 2.25 pence).

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 September 2019, the Company was geared at a gross loan to value of 25.50% and a net loan to value of 24.48%.

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.

Earlier this month, the Company announced that it had completed an amendment to its existing loan agreement which increases the facility's loan to NAV covenant from 45% to 55% (subject to certain conditions). There will be no changes to the margin charged at the current level of gearing as a result of this amendment.

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

### *Knowles Lane, Bradford*

A rent review dated September 2018 has been settled at an industrial unit in Bradford. The review documents a new passing rent of £182,500, representing a 14% increase on the previous rent, which is also ahead of the valuer's ERV. The back-dated increase in rent from September 2018 up to the date of the settlement of the review has been recognised as income in the quarter to September 2019.

### *Bessemer Road, Basingstoke*

A lease extension for a term of six months has been completed with HFC Prestige Manufacturing in Basingstoke. Due to the short extension period, a rental level has been agreed 46% ahead of the previous passing rent.

### Enquiries

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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](http://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 EUR68.2bn of assets under management as at 30 June 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 30 June 2019, AEW Group managed EUR31.9bn 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](http://www.aewuk.co.uk)

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