

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 £167.79 million or 105.91 pence per share as at 30 June 2024 (31 March 2024: £162.75 million or 102.73 pence per share).
- NAV total return of 5.04% for the quarter (31 March 2024 quarter: 1.16%).
- 2.41% like-for-like valuation increase for the quarter (31 March 2024 quarter: 0.41% increase).
- EPRA earnings per share ("EPRA EPS") for the quarter of 2.26 pence (31 March 2024 quarter: 1.88 pence).
- Interim dividend of 2.00 pence per share for the three months ended 30 June 2024, paid for 35 consecutive quarters and in line with the targeted annual dividend of 8.00 pence per share.
- Loan to GAV ratio at the quarter end was 25.66% (31 March 2024: 26.21%). Significant headroom remains on all loan covenants.
- Company continues to benefit from a low fixed cost of debt of 2.959% until May 2027.
- Disposal of Oak Park, Droitwich, for £6.30 million, reflecting a 33% premium to the 31 March 2024 valuation.
- New letting and RPI rent review increasing annual contracted rent by £220,462.

## PORTFOLIO MANAGER'S COMMENTARY

We are pleased to report higher earnings for a second consecutive quarter, and a return to growth in NAV per share, as the Company's programme of ongoing asset management initiatives continue to generate income growth and mitigate void costs. Since the June 2023 quarter, quarterly earnings have grown from 1.75 to 1.92 pence on an underlying basis, illustrating the Company's progress towards full dividend cover and evidencing the quality and sustainability of the portfolio. The Company has committed to pay its quarterly dividend of 2.00 pence per share, which has been fully funded by EPRA earnings this quarter, and has now been paid for 35 consecutive quarters.

Headline quarterly earnings have been boosted by the invoicing of The Original Bowling Company Limited's (trading as Hollywood Bowl) annual turnover rent at London East Leisure Park, Dagenham, and

the reversal of previously recognised void service charge write-offs at Union Street, Bristol. Notwithstanding the earnings enhancement caused by these events, underlying earnings are still higher than the previous quarter. Notable underlying earnings-accretive events completed in the quarter were the letting to Salvation Army at Central Six Retail Park, Coventry, and the settlement of Walstead Peterborough Limited's three-yearly RPI rent review at Storey's Bar Road, Peterborough, which have collectively increased the portfolio's annual contracted rent by £220,462 per annum.

The Company continues to monitor macroeconomic headwinds and their cumulative effect on occupational performance. As a result, the Company continues to retain ample cash, amounting to £9.23 million at quarter end, much of which is held in an interest-bearing bank account.

These funds, together with sales proceeds from the post quarter-end disposal of Oak Park, Droitwich, have been committed to future asset management initiatives. These continue to progress well and are advancing their related property valuations, as is evidenced by the current quarter's 2.41% like-for-like valuation increase. In accordance with the Company's strategy of delivering total return through active asset management, these initiatives are expected to drive further capital and income growth in several of the portfolio's assets.

### Valuation movements

As at 30 June 2024, the Company owned investment properties with a total fair value of £215.77 million, as assessed by the Company's independent valuer, Knight Frank. The like-for-like valuation increase for the quarter of £5.08 million (2.41%) is broken down as follows by sector:

SECTOR	VALUATION 30 JUNE 2024		LIKE-FOR-LIKE VALUATION MOVEMENT FOR THE QUARTER	
	£ million	%	£ million	%
Industrial	80.50	37.31	1.78	2.26
Retail Warehouses	49.30	22.85	2.50	5.34
High Street Retail	31.70	14.69	-	-
Leisure	29.07	13.47	0.65	2.29
Office	25.20	11.68	0.15	0.60
<b>Total</b>	<b>215.77</b>	<b>100.00</b>	<b>5.08</b>	<b>2.41*</b>

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

## INVESTMENT UPDATE

### Oak Park Industrial Estate, Droitwich (industrial)

On 21 May 2024, the Company exchanged on the sale of Oak Park Industrial Estate for £6.30 million, reflecting a net initial yield of 7.95% and a capital value of £33 per sq. ft. Sale completion occurred post quarter-end on 24 July 2024. A sale at this price represents a circa 33% premium to the 31 March 2024 valuation.

Following three new lettings, which added £272,000 of annual rental income, the property is fully let. The business plan put in place for the property has been completed, and the decision

was made to sell the asset as we believe that value over the medium term has been maximised.

The industrial estate was bought in December 2015 for £5,625,000, reflecting a 10.4% net initial yield and a capital value of £30 per sq. ft. The estate was originally single let to Egbert H Taylor & Co Limited (trading as Taylor Bins), a strong tenant covenant with a WAULT to expiry of approximately seven years. The tenant has since downsized on the estate.

No purchases were made by the Company during the quarter.



## ASSET MANAGEMENT

The Company completed and exchanged on the following asset management transactions during the quarter:



### Central Six Retail Park, Coventry (retail warehousing)

The Company completed a lease with new tenant, Salvation Army Trading Company Ltd, for Unit 12. The tenant entered a new lease expiring in November 2032, with a tenant only break option in year five, at a rent of £140,000 per annum (£13.97 per sq. ft.). The letting includes a nine-month rent-free incentive.



### The Railway Centre, Dewsbury (retail warehouse)

The Company exchanged an agreement for lease with leisure operator, Tenpin Limited, to take a new 25-year lease of the former Mecca Bingo space. The lease will be guaranteed for the duration of the term by Tenpin Entertainment Limited, previously Ten Entertainment Group plc who in February 2024 was acquired by US private equity firm, Trive Capital, for £287 million. The lease has a tenant break option in year 17.5, at a rent of £278,470 per annum (£10 per sq. ft.), with five-yearly compounded CPI reviews (1% collar and 3% cap). A £500,000 capital contribution was given as a tenant incentive, with the Company carrying out £590,000 of landlord works (£305,000 net of the Mecca dilapidations settlement). The agreement for lease is subject to planning, which was granted

in June, as well as a licencing agreement and landlord works, which are due to complete early in the autumn when the lease should also complete. Tenpin comprises 53 venues across the UK and provides customers with a diverse range of activities including bowling, video arcades, escape rooms, karaoke, laser tag, pool, table tennis, and soft play.

The company also settled Jysk Limited's August 2021 open market rent review at an increase of £5,428 per annum. The new rent of £70,000 per annum equates to £6.50 per sq. ft.



### Storey's Bar, Peterborough (industrial)

The Company settled Walstead Peterborough Limited's three-yearly RPI rent review (2% collar and 4% cap) at £724,861 per annum (£3.94 per sq. ft.), an £80,462 per annum (12.5%) increase on the previous passing rent of £644,399 per annum (£3.50 per sq. ft.). Despite this notable uplift, the single-let industrial unit is still considered under-rented with an ERV greater than £4.00 per sq. ft.



### London East Leisure Park, Dagenham (leisure)

Following a protracted exchange of correspondence with The Original Bowling Company Limited (trading as Hollywood Bowl), three years of turnover rent has been billed for 2021, 2022 and 2023 equating to £276,120 (£92,040 per annum).



### Pearl House, Nottingham (retail)

The company completed a lease renewal with MSR Newsgroup, whose lease expired in December 2023. A five-year lease extension was agreed with no incentive at £14,000 per annum, versus an ERV of £12,250 per annum.



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

The company completed a lease renewal with a gym operator, The Hench Fish Ltd, at Unit 3. A three-year lease extension was agreed with mutual break options in the first and second year. The new rent agreed is £15,500 per annum, an uplift of £5,500 per annum (55%) on the previous passing rent of £10,000 per annum.

## FUND FACTS

### Portfolio Manager

Laura Elkin

### Assistant Portfolio Manager

Henry Butt



### 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):** £167.79m

**Property valuation:** £215.77m

**Number of properties held:** 33

**Average lot size:** £6.54m

**Property portfolio net initial yield (% p.a.)**  
8.19%

**Property portfolio reversionary yield:** 8.65%

**LTV (Gross Asset Value):** 25.66%

**Average weighted unexpired lease term**  
**To break:** 4.27 years **To expiry:** 5.56 years

**Occupancy:** 90.64%\* \* As a % of ERV

**Number of tenants:** 132

**Share price as at 30 Jun:** 85.3p  
**NAV per share:** 105.91p  
**Premium/(discount) to NAV:** (19.46%)

**Shares in issue:** 158.42m

**Market capitalisation:** £135.14m

**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 2024. 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 2025 and for the interim financial period to 30 September 2024.

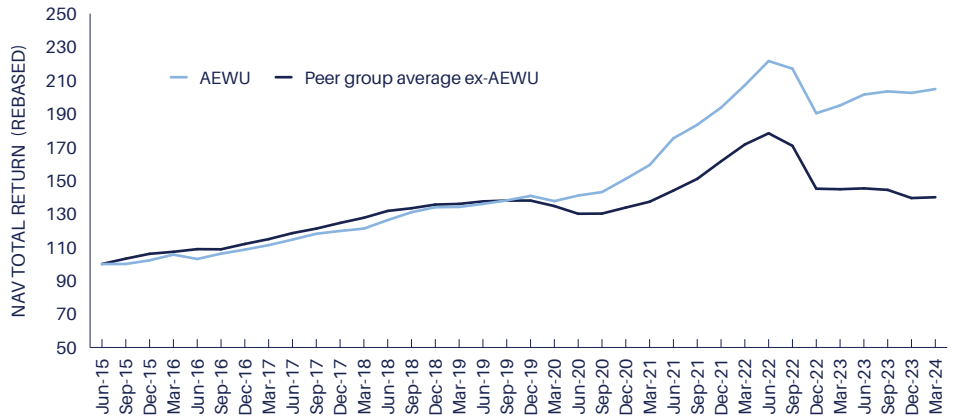
**ISIN:** GB00BWD24154

**Broker:** Panmure Liberum

**Ticker:** AEWU **SEDOL:** BWD2415

## HISTORIC PERFORMANCE

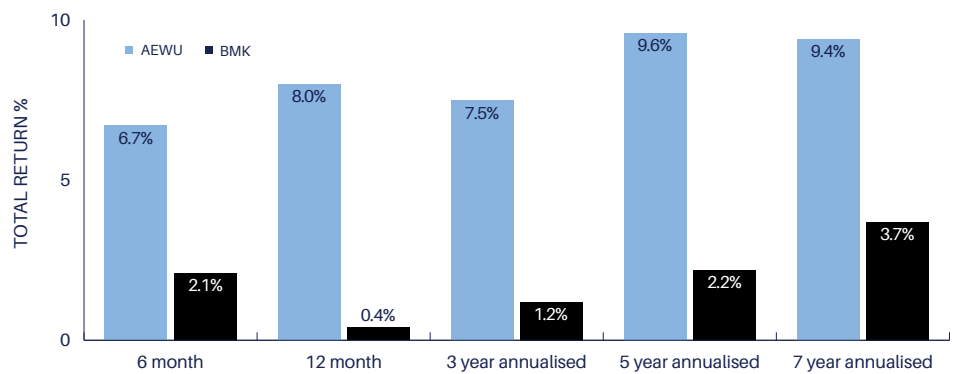
### AEWU vs. Peer Group NAV Performance Total Return



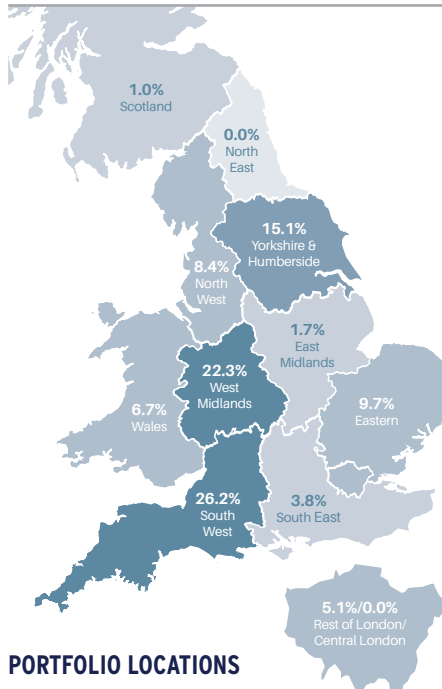
Source: Liberum, March 2024.

### Property Total Return Vs. MSCI Benchmark

5-year annualised property total return outperformance of 7.36% above the MSCI benchmark



Source: MSCI 30 June 2024. 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	11.4%
Northgate House, Bath	5.9%
Gresford Industrial Estate, Wrexham	5.8%
Cambridge House, Bath	5.2%
London East Leisure Park, Dagenham	5.1%
40 Queens Square, Bristol	4.9%
NCP, York	4.6%
Arrow Point Retail Park, Shrewsbury	3.8%
Apollo Business Park, Basildon	3.3%
Wyndeham, Peterborough	3.0%

## KEY CONTACT

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