



Monthly Update

June 2024

AEW is taking steps to assess and stabilise the property portfolio and the financial condition of the Company and will seek to maximise income and capital returns for Shareholders whilst retaining the longer-term social objective of helping to alleviate homelessness in the UK.

Summary

- As announced on 21 June 2024, 133 properties exchanged for sale at auction for a total of £11.4m with completion expected during July.
- Repayment of £17.1m of debt to the Company's lender in June comprising a cash repayment of £14.9m and net break gains of £2.2m applied to loan principal. Total borrowings reduced to £114.6m.
- As announced on 17 June 2024, the Company has not been able to secure a re-financing of the existing debt facility, on terms that it could recommend to shareholders, despite extensive and advanced discussions with another potential lender.
- The Company is implementing a strategy to repay its outstanding borrowings in a timely manner and there will therefore be further property sales in the short term.
- The existing lender has revised the terms of the additional fee charged on the outstanding loan amount and the 5% fee will increase to 7% from 1 July 2024 until the full repayment of the loan. The lender expects to be fully repaid no later than 31 December 2024.
- Total income received for the month of June was £0.6m, which represents a 60% increase from the previous month.
- The Company continues to remove non-performing tenants from the portfolio and has now re-gained control of c.70% of the Company's portfolio by number of properties enabling the Company to collect the income from these properties, increasing rent collection and facilitating asset management opportunities.
- The Company is progressing legal action against selected non-performing tenants.
- As announced on 28 June 2024, the Company's audited results for the year ended 31 August 2022 ("FY22 Audit") are now expected to be published during August 2024. The FY22 Audit is substantially complete, but the Company has been advised by its auditor, BDO, that further time is required to finalise the audit.
- As previously announced, the Company intends to bring legal proceedings against those parties it considers are responsible for wrongdoing.

Portfolio and Financial Highlights

Financial Position (Unaudited)	As at 31-Aug-23	As at 30-June-24
Valuation		
Draft August 2023 Valuation	£412.9m	£298.0m ¹
Number of Properties	2,473	1,683
Cash & Borrowings:		
Unrestricted Cash	£0.8m	£6.5m
Total Cash	£13.5m	£11.7m
Borrowings	£220.0m	£114.6m
Net Debt	£206.5m	£102.9m
Income:		
Annual Contracted Operating Lease Rent	£53.9m	£15.2m
Tenants ^{2,3}	29	23
Properties under lease to Tenants	2,358	752
Properties under property management agreements	115	931 ⁴

¹ Proforma value at 30 June 2024 being draft (as announced on 20 December 2023) less disposals in period at 31 August 2023 valuation; ² Excluding properties under separate management agreements;

³ Excluding properties under property management agreements with HOME having direct AST leases with occupiers; ⁴ 15 properties have been sold since last month's reporting; ⁵ Two properties were sold as one auction lot in the February auction sales; ⁶ Rent collection—rent collected including arrears / rent invoiced for the period; ⁷ Inspections—these are of the portfolio held as at 31 August 2023

	To Date 1-Sep-23 to 30-June-24	Month 1-June-24 to 30-June-24
Investment Activity		
Properties Sold in the Period	£112.5m	£15.0m
Number of Properties Sold in Period	790 ⁵	88
Properties Exchange in Period/Not Yet Completed	£24.5m	£11.4m
Number of Properties Exchanged and Not Yet Completed at Period End	187	133
Rent Collection:		
Operating lease rent collection	£3.6m	£0.3m
Operating lease rent collection(%) ⁶	11%	16%
Management agreement income collection	£1.4m	0.3m
Total income collected	£5.0m	£0.6m
Inspections		
Completed ⁷	2,144	20
Occupancy (at date on inspection 1,577 Vibrant Inspection)		
Occupied (at least one bed occupied)		78%
Vacant (whole building)		22%



Rent Collection and Tenant Engagement

- Due to the recent tenant surrender deals and the subsequent increase in properties under management agreements, rent collection is now being reported on two bases: operating lease rent and management agreement income.
- Rent collection on operating leases for the month of June was £0.3m, representing 16% of the rent invoiced for the period. AEW continues to work with selected tenants on payment plans.
- Total net income collected for the month of June from properties under management agreements was £0.3m. The income reported is net income, as the income is still to be reconciled by the Property Managers due to the extensive onboarding process underway. Once this exercise is complete, both the gross and net income received will be reported.
- Total income received for the month of June was £0.6m, this is an 60% increase from the previous month and 31% above the monthly average.
- On 4 June 2024, the Company announced that Noble Tree, a tenant of 143 properties, entered into administration. These properties have now been surrendered and the tenancies transferred to HOME. This will enable the Company to directly collect the underlying income from these properties, increasing rent collection and facilitating asset management opportunities.
- AEW continues to make good progress with on-boarding the c.600 properties that were surrendered in May and is progressing negotiations with a number of tenants to facilitate restructuring of leases and rationalisation of the portfolio, further announcements will be made in due course.
- It is anticipated that rent collection will vary month on month in the near term as AEW continue to work on stabilising the portfolio and on-boarding properties that have been surrendered.
- AEW is in active dialogue with a number of prospective providers who have significant demand for properties for Supported Living and other forms of Social Use accommodation.
- The Company is progressing legal action against selected non-performing tenants.

Top 10 Tenants*

Tenant	No. of Properties	% of Portfolio Annual Contracted Rent Roll
One (Housing & Support) CIC	100	27.0%
LTG Vision CIC	171	13.0%
Mears Ltd	177	12.8%
Gen Liv UK CIC ¹	44	9.4%
Community Restore CIC	46	7.5%
Supportive Homes CIC ¹	34	5.9%
Mansit Housing CIC	68	5.2%
Lifeline (NW) CIC	10	3.8%
Complete Homes NW CIC	4	3.6%
Marigold Housing ¹	15	2.7%
Total	669	90.9%

¹In liquidation

Tenants in liquidation (GEN LIV UK CIC, Supportive Homes CIC, Marigold Housing and Eden Safe Homes CIC) account for 18.0% of the annual contracted rent as at 30 June 2024.



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Investment Activity

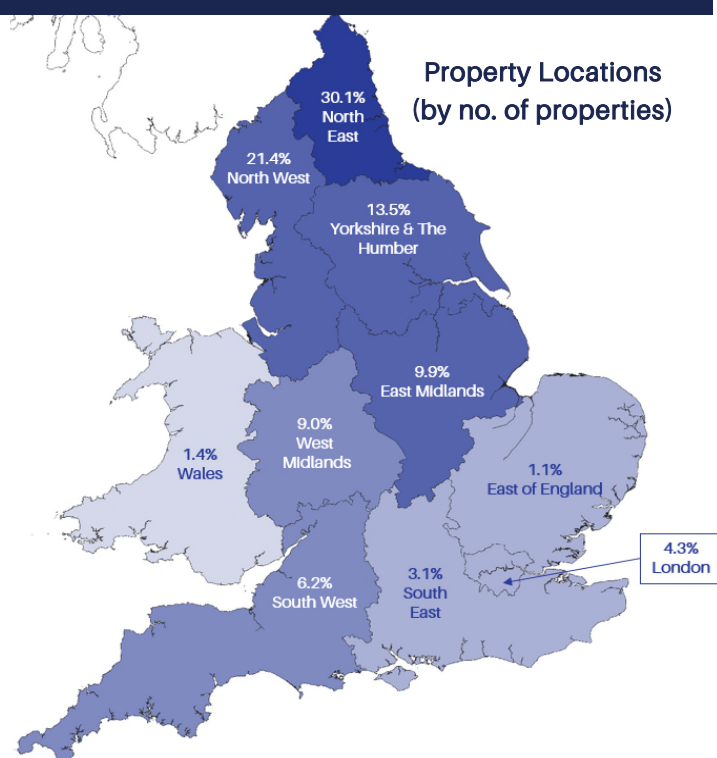
- Following announcements of exchanges at auction in previous months, 88 properties completed during June for a total of £15.0m.
- As announced on 21 June 2024, 133 properties exchanged for sale at auction for a total of £11.4m.
- Since August 2023, the Company has completed on the sale of 790 properties and exchanged on a further 187 properties.
- The gross proceeds from properties sold and exchanged totals £137.0m, which in aggregate is in line with the August 2023 draft valuation.
- Sale proceeds continue to be used to reduce borrowings and provide working capital.
- The Company is implementing a strategy to repay its outstanding borrowings in a timely manner and there will therefore be further property sales in the short term.

Financial Position and Related Matters

- The Company had a cash balance of £11.7m as at 30 June 2024 of which £6.5m is unrestricted.
- The Company repaid £17.1m of debt to the Company's lender in June comprising a cash repayment of £14.9m and a net break gain of £2.2m also being applied in repayment of the debt. A total of £105.4m of debt has been repaid since the Company entered the stabilisation period during August 2023.
- As at 30 June 2024, the Company has total borrowings of £114.6m, comprising a £24.3m interest-only term loan, repayable in 2032, with a fixed rate of 2.07% per annum, and a £90.3m interest-only term loan, repayable on 2036, with a fixed rate of 2.53% per annum.
- As mentioned in previous announcements, an additional fee of 5.00% per annum is charged on the aggregate outstanding loan balances, with the fee accruing on a daily basis from 30 November 2023. The additional fee was payable at the earlier of 28 June 2024 or on full repayment of the loans. The Company could not pay the fee when due. The lender has revised the terms of the additional fee charged on the outstanding loan amount with an increase from 5.00% to 7.00% from 1 July 2024 until the full repayment of the loan.
- The lender expects to be fully repaid no later than 31 December 2024.
- The Board and AEW continue to engage proactively and constructively with the Company's lender, through regular meetings and continue to service interest payments in full as they fall due.

Portfolio Assessment

- Vibrant and AEW continue the inspection programme with 87% of the portfolio inspected as at 30 June 2024.
- Completion of the inspection programme is no longer required as part of the audit process.





Valuation, Publication of Annual and Interim Reports

- As announced on 28 June 2024, the Company's audited results for the year ended 31 August 2022 ("FY22 Audit") are now expected to be published during August 2024.
- The FY22 Audit is substantially complete, but the Company has been advised by its auditor, BDO, that further time is required to finalise the audit.
- The audited results for the year ended 31 August 2023 have been prepared in parallel and, along with interim results for the periods to 28 February 2023 and 2024 respectively, are expected to be published during the third quarter.
- AEW UK Investment Management is continuing to dedicate substantial resource and BDO remains focused on finalising the audit as soon as possible.
- The Board and AEW remain committed to the restoration of trading in the Company's ordinary shares as soon as is practically possible.

Shareholder Engagement

- AEW continues engagement with the Company's shareholders. The next monthly update is expected to be announced on Monday 5 August 2024.

Potential Litigation

- As previously announced, the Company has issued a pre-action letter of claim to its former Investment Adviser, Alvarium Home REIT Advisors Limited (in liquidation). Shortly before issuance of the pre-action letter of claim, the Company was made aware that Alvarium Home REIT Advisors Limited had appointed joint liquidators for the purpose of winding up the company.
- Notwithstanding this event, it remains important that all means of potential financial recovery are fully considered and that any wrongdoing is thoroughly investigated. The Company has also issued pre-action letters of claim to Alvarium Fund Managers (UK) Limited (its former alternative investment fund manager) and ALTi RE Limited, its former Investment Adviser's principal. The Board cannot comment any further at this stage, as to do so may prejudice the Company's position in any potential proceedings. Any relevant announcements in this regard will be made to the market at the appropriate time.

Board Succession

- As announced on 7 June 2024, Rod Day was appointed as Independent Non-Executive Director.
- Rod will join the Audit Committee, Management Engagement Committee and Nomination Committee of the Company and in due course will Chair the Audit Committee.

Contact Us

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