18 April 2018

SEGRO plc

Trading Update

SEGRO plc ("SEGRO" or the "Group") today publishes its trading update for the period from 1 January to 17 April 2018[1].

David Sleath, Chief Executive, said:

"We have had a strong start to 2018, securing £27 million of new headline rent, a record level for a single quarter. Occupational demand remains encouraging across all our markets, particularly driven by the growth of online retailing. Our profitable and largely pre-leased development pipeline is expected to generate £55 million of new rent when fully built and leased, and there are further projects in advanced discussions which will add to this in the coming months.

"The combination of attractive yields and rental growth, resulting from limited supply and the enduring positive structural drivers of occupier demand, continues to appeal to investors. Consequently, the investment market remains active with evidence of some further yield compression in recent urban and big box warehouse transactions."

Operational Excellence: Delivering profitable growth from active asset management, development and a record level of pre-let agreements (Appendix 1)

- In the first quarter, we contracted £27.3 million of new headline rent (Q1 2017: £16.3 million), including £23.3 million of pre-lets (Q1 2017: £10.6 million).
- We completed 146,500 sq m of developments in the quarter, capable of generating £10.9 million of headline rent when fully let, of which £6.8 million (63 per cent) has been secured.
- 1.0 million sq m of space was approved or under development at 31 March 2018 (31 December 2017: 693,900 sq m). These projects equate to potential future annualised headline rent of £55 million, 69 per cent of which has been secured (31 December 2017: £43 million, 50 per cent secured), reflecting an estimated, fully-let yield on total development cost of 7.3 per cent.
- The development pipeline includes new pre-lets totalling 490,000 sq m, of which 270,000 sq m is to online retailers including to Zalando in Verona. It also includes the first two pre-lets at SEGRO Logistics Park East Midlands Gateway (SLPEMG): 122,000 sq m to a major online retailer and 60,000 sq m to a third party logistics provider. We have also agreed to construct a warehouse for Shop Direct at SLPEMG which it will acquire on completion. In Paris, we have secured a 50,000 sq m letting to IKEA at our two-storey warehouse in Gennevilliers, the inland port close to the centre of Paris, meaning this 63,000 sq m warehouse is now fully let six months prior to completion.
- The vacancy rate has remained low at 5.0 per cent (31 December 2017: 4.0 per cent). The increase since December reflects the impact of development completions (+0.7 per cent), acquisitions and disposals (+0.1 per cent) and modest net take-back of existing space (+0.2 per cent).

Disciplined Capital Allocation: Investment focused on development (Appendices 2 and 3)

- Net investment during Q1 2018 totalled £50 million, comprising £65 million of asset and land disposals, £24 million of asset acquisitions and £91 million of development capex and land purchases.

- Our investment activity continues to focus on delivering our current development pipeline and securing land for near-term projects. We invested £63 million in development capex during the quarter (including £5 million of infrastructure expenditure) and continue to expect total development capex to exceed £350 million for 2018 as a whole. In addition, we acquired £28 million of development land in Italy, Germany, Spain and London, almost all of which is connected to pre-let agreements.
- During the quarter we disposed of £65 million of land and assets, including a small industrial estate in Germany and £84 million of Continental European big box warehouses to our SELP joint venture (£42 million net disposal by SEGRO).
- We took the opportunity to acquire an 18,600 sq m urban warehouse estate approximately 9km from Warsaw city centre and 6km from the international airport, helping to build scale in this attractive location.
- In the UK, the CBRE Monthly Index reported 3.1 per cent growth in industrial property capital values during the first quarter, outperforming the All Property growth rate of 0.9 per cent.

Balance sheet remains in a strong position to support future growth

- Net debt (including our share of debt in joint ventures) at 31 March 2018 remained stable at £2.4 billion (31 December 2017: £2.4 billion).
- The look-through loan to value (LTV) ratio at 31 March 2018 (based on asset values at 31 December 2017, adjusted for development expenditure, acquisitions and disposals) was 30 per cent, unchanged from 31 December 2017.

Financial calendar

The 2018 interim results will be published on Thursday 26 July 2018.

[1] In this statement, space is stated at 100 per cent, whilst financial figures are stated reflecting SEGRO's share of joint ventures. Financial figures are stated for the three months to, or at, 31 March unless otherwise indicated. The exchange rate on 31 March 2018 was €1.14:£1 (31 March 2017: €1.18:£1; 31 December 2017: €1.13:£1).

Appendices

1. Leasing data for the period to 31 March[1]

		Q1 2018	Q1 2017
Take-up of existing space[2] (A)	£m	2.4	2.1
Space returned[3] (B)	£m	(3.1)	(1.1)
NET ABSORPTION OF EXISTING SPACE (A-B)	**£m**	**(0.7)**	**1.0**
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	1.2	1.4
RENT ROLL GROWTH FROM EXISTING SPACE	**£m**	**0.5**	**2.4**
Take-up of developments completed in the period — pre-let space[2] (D)	£m	5.2	0.0
Take-up of speculative developments completed in the past two years[2] (E)	£m	2.0	2.8
TOTAL TAKE UP[2] (A+C+D+E)	**£m**	**10.8**	**6.3**
Less take-up of pre-lets and speculative lettings signed in prior periods[2]	£m	(6.8)	(0.6)
Pre-lets and lettings on speculative developments signed in the period for future delivery[2]	£m	23.3	10.6
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**27.3**	**16.3**
Take-back of space for redevelopment	£m	0.0	(0.1)

1 All figures reflect exchange rates at 31 March and include joint ventures at share.
2 Annualised rental income, after the expiry of any rent-free periods.
3 Annualised rental income, excluding space taken back for redevelopment.

2. Acquisitions completed during the three months to 31 March 2018

Asset location / type	Purchase price[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield[2] (%)
Continental Europe: Urban warehousing	24.1	6.3	6.5
Continental Europe: Land	25.8	n/a	n/a
UK: Land	1.7	n/a	n/a
Total acquisitions during the quarter	**51.6**	**6.3[3]**	**6.5[3]**

1 Excluding acquisition costs; purchase price reflects exchange rate at 31 March 2018 and includes joint ventures at share.
2 Topped up net initial yield includes rent due after expiry of rent-free periods.
3 Yield excludes land acquisitions.

3. Disposals completed during the three months to 31 March 2018

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield[1] (%)
Continental Europe: Light Industrial	17.1	3.4	5.2
Continental Europe: Big box warehouse	41.8	5.5	5.9
UK: Land	6.1	n/a	n/a
Total disposals during the quarter	**65.0**	**4.9[2]**	**5.7[2]**

1 Topped up net initial yield includes rent due after expiry of rent-free periods.
2 Yield excludes land disposals.

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This Trading Update, the most recent Annual Report and other information are available on the SEGRO website at www.segro.com/investors. Neither the content of SEGRO's website nor any other website accessible by hyperlinks from SEGRO's website are incorporated in, or form part of, this announcement.

About SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, manager and developer of modern warehouses and light industrial property. It owns or manages 6.7 million square metres (72 million square feet) of space valued at £9.3 billion (as at 31 December 2017), serving customers from a wide range of industry sectors. Its properties are located in and around major cities and at key transportation hubs in the UK and in nine other European countries.

See www.SEGRO.com for further information.