

20 October 2022

SEGRO plc

Trading Update

SEGRO plc (“SEGRO” or the “Group”) today publishes a trading update for the period from 1 July 2022 to 19 October 2022¹.

David Sleath, Chief Executive, said:

“SEGRO has performed well throughout the third quarter of 2022, delivering excellent operational results with momentum continuing into the final quarter.

“Occupier demand remains strong across all of our markets, driven by long-term structural trends, whilst supply remains limited and this should continue to support high levels of rental growth. These factors have helped us to grow the rent roll by £20 million in the third quarter (bringing the total increase to £76 million so far in 2022¹) through new lettings, indexation and the capture of reversion, as well as from additions to our profitable development programme.

“Over the past decade, the successful execution of our strategy has created an irreplaceable portfolio of modern, sustainable assets focused on markets with the tightest supply-demand dynamics, underpinning significant reversionary potential and future rental growth. Increases in interest rates and the volatile macro-economic environment have reduced volumes in the investment markets, causing asset prices to soften in the third quarter. However, we remain focused on the fundamentals of our business – owning, managing and developing the highest-quality buildings whilst maintaining low leverage and a strong balance sheet, thereby supporting the delivery of attractive growth in earnings and dividends for our shareholders.”

¹ 9M 2021 rent roll growth: £64 million.

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 period to, or at, 30 September unless otherwise indicated. The exchange rate applied is €1.14:£1 as at 30 September 2022.

ACTIVE ASSET MANAGEMENT CAPTURING RENTAL GROWTH AND GROWING THE RENT ROLL (see Appendix):

- Continued strong occupier demand has supported our ability to let new space and grow rents in the standing portfolio through indexation-linked increases and capturing accumulated reversion in the portfolio.
- Occupancy and retention have both remained high.

Total new headline rent ¹ signed during the period (£m)	20	26
Pre-lets signed during the period (£m)	8	9
Uplift on rent reviews and renewals (%)	22	13
Occupancy rate (%)	96.7	96.8
Customer retention (%)	76	76

CAPITAL INVESTMENT FOCUSES ON DEVELOPMENT PIPELINE:

- SEGRO's investment activity continues to be focused on the development programme. Development capex for 2022, including infrastructure, still expected to be c.£700 million.
- We note that CBRE UK Monthly Property Index has shown a 10 per cent decline in UK industrial values during Q3.

Acquisitions ² (£m)	424	140
Disposals (£m)	109	98

EXECUTING AND GROWING OUR DEVELOPMENT PIPELINE:

- New pre-lets signed since half year have helped to expand development pipeline with 1.3 million sq m of space, equivalent to £118 million of new rent, under construction or in advanced discussions.
- Yield on cost for these projects is 6.3 per cent (approximately 10 per cent yield on new money).

Development completions year-to-date:		
– Space completed (sq m, at 100%)	419,100	450,000
– Potential rent (£m, at share) (Rent secured)	20 (92%)	25 (93%)
Current development pipeline potential rent (£m) (Rent secured)	86 (64%)	68 (66%)
Near-term development pipeline potential rent (£m)	32	24

¹ Headline rent is annualised gross passing rent receivable once incentives such as rent-free periods have expired.

² All acquisitions during the period were land.

BALANCE SHEET**30 Sep 22****30 Jun 22****LONG-TERM, DIVERSIFIED DEBT PROFILE PROVIDES CERTAINTY AND FLEXIBILITY**

- Issuance of €750 million of five-year debt at a coupon of 3.75 per cent for our SELP joint venture in early August to refinance 2023 SELP bonds. We also drew down €225 million of US Private Placement notes (average maturity 19 years) at an average coupon of 4.08 per cent during the period.
- We have no further material refinancing requirements until 2026 and an 8.2 year average debt maturity (79 per cent of which is fixed or capped¹; the floating rates exposure is mostly to three-month EURIBOR).
- A further 100bp rise in benchmark rates from current levels would increase SEGRO's cost of debt by 24 bps.

Net debt (£m)	5,414	4,764
Cost of debt (%)	2.1	1.6
LTV ² (%)	26	23
Cash and available facilities (£m)	1,739	1,983

¹ 71 per cent is fixed, a further 8 per cent is capped once 3-month EURIBOR reaches 1.5 per cent.

² Based on values at 30 June 2022, adjusted for acquisitions, disposals and other capital expenditure during the third quarter.

Appendix**Leasing data for the period to 30 September^{1 2}**

		Q3 2022	Q3 2021	9M 2022	9M 2021
Take-up of existing space (A)	£m	5	9	15	19
Space returned ² (B)	£m	(4)	(7)	(14)	(17)
NET ABSORPTION OF EXISTING SPACE (A-B)	£m	1	2	1	2
Other rental movements (rent reviews, renewals, indexation) (C)	£m	5	2	19	6
RENT ROLL GROWTH FROM EXISTING SPACE	£m	6	4	20	8
Take-up of developments completed in the period – pre-let space (D)	£m	2	15 ³	13	20
Take-up of speculative developments completed in the past two years (E)	£m	4	6	9	10
TOTAL TAKE UP (A+C+D+E)	£m	16	32	56	55
Less take-up of pre-lets and speculative lettings signed in prior periods	£m	(4)	(15)	(16)	(21)
Pre-lets and lettings on speculative developments signed in the period for future delivery	£m	8	9	36	30
RENTAL INCOME CONTRACTED IN THE PERIOD²	£m	20	26	76	64
Take-back of space for redevelopment	£m	(1)	(1)	(3)	(2)

¹ All figures reflect headline rent (annualised gross rental income, after the expiry of any rent-free periods), exchange rates at 30 September 2022 and include joint ventures at share.

² Excluding space taken back for redevelopment.

³ 2021 comparator is high as development completions were heavily weighted towards H2.

Financial calendar

The 2022 full year results will be published on Friday 17th February 2023.

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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.

About SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), listed on the London Stock Exchange and Euronext Paris, and is a leading owner, manager and developer of modern warehouses and industrial property. It owns or manages 9.7 million square metres of space (104 million square feet) valued at £23.8 billion 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 seven other European countries.

For over 100 years SEGRO has been creating the space that enables extraordinary things to happen. From modern big box warehouses, used primarily for regional, national and international distribution hubs, to urban warehousing located close to major population centres and business districts, it provides high-quality assets that allow its customers to thrive.

A commitment to be a force for societal and environmental good is integral to SEGRO's purpose and strategy. Its Responsible SEGRO framework focuses on three long-term priorities where the company believes it can make the greatest impact: Championing Low-Carbon Growth, Investing in Local Communities and Environments and Nurturing Talent.

See www.SEGRO.com for further information.

Forward-Looking Statements: This announcement contains certain forward-looking statements with respect to SEGRO's expectations and plans, strategy, management objectives, future developments and performance, costs, revenues and other trend information. These statements are subject to assumptions, risk and uncertainty. Many of these assumptions, risks and uncertainties relate to factors that are beyond SEGRO's ability to control or estimate precisely and which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Certain statements have been made with reference to forecast process changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of SEGRO are based upon the knowledge and information available to Directors on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and you are cautioned not to place undue reliance on the forward-looking statements. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this announcement is provided as at the date of this announcement and is subject to change without notice. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), SEGRO does not undertake to update forward-looking statements, including to reflect any new information or changes in events, conditions or circumstances on which any such statement is based. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit estimate or profit forecast. The information in this announcement does not constitute an offer to sell or an invitation to buy securities in SEGRO plc or an invitation or inducement to engage in or enter into any contract or commitment or other investment activities. 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.