

# 2016

FULL YEAR PROPERTY  
ANALYSIS REPORT





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## ABOUT SEGRO

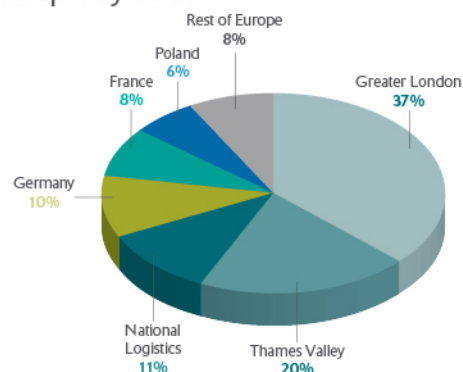
SEGRO is a leading owner, asset manager and developer of modern warehousing and light industrial properties, with £8.0 billion of assets under management (£6.3 billion including joint ventures at Group share). The assets are principally concentrated in London, South–East England and the Midlands, and in key conurbations and major distribution hubs in France, Germany, Poland, Belgium, the Netherlands, Italy, the Czech Republic and Spain.

The Group serves customers spread across a diverse range of industry sectors. It has 6.4 million square metres of built space under management and a gross passing rent roll of £295 million at share.

## OVERVIEW

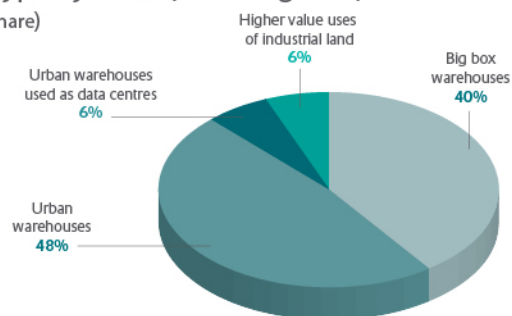
### Geographical split by value

(SEGRO share)



### Asset type by value (excluding land)

(SEGRO share)



## THE BUILDINGS WE PROVIDE INCLUDE:



### BIG BOX WAREHOUSES

- Big box warehouses over 10,000 sq m, usually with a single occupier
- Serving national and international logistics supply chains
- Close to major transport hubs in the UK (Midlands and South-East), France (central logistics spine), Germany, Poland and Italy (Milan and Bologna regions)



### URBAN WAREHOUSES

- Warehouses less than 10,000 sq m in modern estates or standalone buildings on the edge of major cities
- Used by a wide range of different businesses for multiple purposes including urban distribution, parcel delivery, light assembly, food preparation, and research and development, among many others



### URBAN WAREHOUSES USED AS DATA CENTRES

- A 'higher value use' of warehouses on the edge of major cities
- Serving financial institutions and third party providers of data storage
- Slough Trading Estate is a major data centre hub due to its proximity to London, excellent power supply, fibre-optic cables and high security



### HIGHER VALUE USES OF INDUSTRIAL LAND

- Industrial land on the edge of major cities is also attractive for other uses, including retail (trade counters, self storage, car showrooms) and offices which require prominent locations near centres of population and easy access for customers

## COMBINED PROPERTY PORTFOLIO AND YIELD RECONCILIATION AS AT 31 DECEMBER 2016

		UK £m	Continental Europe £m	Total £m
<b>Combined property portfolio (including share of joint ventures)</b>				
<b>TOTAL PROPERTIES PER FINANCIAL STATEMENTS</b>		<b>4,317.4</b>	<b>2,028.0</b>	<b>6,345.4</b>
Add valuation surplus not recognised on trading properties and other items <sup>1</sup>		—	—	—
<b>COMBINED PROPERTY PORTFOLIO PER EXTERNAL VALUERS' REPORTS</b>		<b>4,317.4</b>	<b>2,028.0</b>	<b>6,345.4</b>
Less land and development properties (investment, trading and joint ventures)		(337.3)	(341.9)	(679.2)
<b>NET VALUATION OF COMPLETED PROPERTIES</b>		<b>3,980.1</b>	<b>1,686.1</b>	<b>5,666.2</b>
Add notional purchasers' costs		268.3	84.2	352.5
<b>GROSS VALUATION OF COMPLETED PROPERTIES INCLUDING NOTIONAL PURCHASERS' COSTS</b>	<b>A</b>	<b>4,248.4</b>	<b>1,770.3</b>	<b>6,018.7</b>
<b>Rental income</b>				
		£m	£m	£m
Gross passing rent <sup>2</sup>		182.5	112.9	295.4
Less irrecoverable property costs		(2.9)	(5.3)	(8.2)
Net passing rent	B	179.6	107.6	287.2
Adjustment for notional rent in respect of rent free periods		22.0	9.7	31.7
<b>TOPPED UP NET RENT</b>	<b>C</b>	<b>201.6</b>	<b>117.3</b>	<b>318.9</b>
Including future fixed/minimum uplifts <sup>4</sup>		8.5	0.7	9.2
<b>TOTAL TOPPED UP NET RENT</b>		<b>210.1</b>	<b>118.0</b>	<b>328.1</b>
<b>Yields</b>				
		%	%	%
EPRA net initial yield <sup>3</sup>	B/A	4.2	6.1	4.8
EPRA topped up net initial yield <sup>3</sup>	C/A	4.7	6.6	5.3
Net true equivalent yield		5.6	6.6	5.9

1 Trading properties are recorded in the financial statements at the lower of cost and net realisable value, therefore valuations above cost have not been recognised.

2 Gross passing rent excludes short term lettings and licences.

3 In accordance with the Best Practices Recommendations of EPRA.

4 Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five yearly, upwards only rent review clauses (UK) or indexation clauses (Continental Europe).

## COMBINED PROPERTY PORTFOLIO AND YIELD RECONCILIATION AS AT 31 DECEMBER 2016

	Value at 31 December 2016 £m	Valuation movement <sup>1</sup> %
<b>Analysis of unrealised valuation movements</b>		
Properties held throughout the period	5,074.3	3.4
Properties acquired during the period <sup>2</sup>	96.6	(0.8)
Developments completed during the period	495.3	18.2
<b>COMPLETED PROPERTIES</b>	<b>5,666.2</b>	<b>4.5</b>
Current development pipeline	138.6	7.6
Land held throughout the period	389.3	11.5
Land acquired during the period <sup>2</sup>	151.3	(0.5)
<b>WHOLE PORTFOLIO</b>	<b>6,345.4</b>	<b>4.8</b>

<sup>1</sup> The valuation movement percentage is based on the difference between the opening and closing valuations for properties, allowing for capital expenditure, acquisitions and disposals.

<sup>2</sup> For land and properties acquired during the period, opening valuation is acquisition cost including notional purchasers' costs which are not recognised under IFRS accounting standards.

## SUMMARY ANALYSIS AS AT 31 DECEMBER 2016

BY ASSET TYPE	Lettable area (100%) sq m	Lettable area (share) sq m	Completed £m	Land & development <sup>3</sup> £m	Total property assets £m	Valuation movement <sup>1</sup> %	Net initial yield <sup>2</sup> %	Net true equivalent yield <sup>2</sup> %	Vacancy by ERV <sup>2 4</sup> %
<b>UK</b>									
Big box warehouses (>10,000 sq m)	853,776	831,757	1,159.9		1,159.9	4.9%	4.2%	5.5%	8.0%
Urban warehouses and light industrial buildings	1,184,490	1,027,090	2,216.4		2,216.4	7.2%	4.0%	5.6%	7.2%
Urban warehouses used as data centres	96,385	96,385	314.2		314.2	1.5%	4.8%	5.6%	4.1%
Higher value uses <sup>5</sup>	134,814	114,697	289.6		289.6	1.7%	5.5%	5.8%	2.2%
	<b>2,269,465</b>	<b>2,069,929</b>	<b>3,980.1</b>	<b>337.3</b>	<b>4,317.4</b>	<b>5.6%</b>	<b>4.2%</b>	<b>5.6%</b>	<b>6.9%</b>
<b>CONTINENTAL EUROPE</b>									
Big box warehouses (>10,000 sq m)	3,451,606	1,912,698	1,112.7		1,112.7	2.3%	5.9%	6.5%	2.9%
Urban warehouses and light industrial buildings	646,715	577,420	531.1		531.1	0.9%	6.0%	6.8%	5.1%
Urban warehouses used as data centres	–	–	–		–	–	–	–	–
Higher value uses <sup>5</sup>	48,354	47,108	42.3		42.3	7.8%	6.7%	7.0%	5.5%
	<b>4,146,675</b>	<b>2,537,226</b>	<b>1,686.1</b>	<b>341.9</b>	<b>2,028.0</b>	<b>2.0%</b>	<b>6.1%</b>	<b>6.6%</b>	<b>3.6%</b>
<b>GROUP</b>									
Big box warehouses (>10,000 sq m)	4,305,382	2,744,455	2,272.6		2,272.6	3.6%	5.0%	6.0%	5.2%
Urban warehouses and light industrial buildings	1,831,205	1,604,510	2,747.5		2,747.5	5.9%	4.4%	5.8%	6.8%
Urban warehouses used as data centres	96,385	96,385	314.2		314.2	1.5%	4.8%	5.6%	4.1%
Higher value uses <sup>5</sup>	183,168	161,805	331.9		331.9	2.4%	5.7%	5.9%	2.9%
	<b>6,416,140</b>	<b>4,607,155</b>	<b>5,666.2</b>	<b>679.2</b>	<b>6,345.4</b>	<b>4.5%</b>	<b>4.8%</b>	<b>5.9%</b>	<b>5.7%</b>
<b>BY OWNERSHIP</b>									
Wholly owned	2,798,172	2,798,172	4,131.8	608.0	4,739.8	5.1%	4.6%	5.8%	6.3%
Joint ventures	3,617,968	1,808,983	1,534.4	71.2	1,605.6	3.0%	5.1%	6.1%	4.4%
<b>GROUP TOTAL</b>	<b>6,416,140</b>	<b>4,607,155</b>	<b>5,666.2</b>	<b>679.2</b>	<b>6,345.4</b>	<b>4.5%</b>	<b>4.8%</b>	<b>5.9%</b>	<b>5.7%</b>

1 The valuation movement percentage is based on the difference between the opening and closing valuations for completed properties which includes properties held throughout the period, completed developments and properties acquired during the period, allowing for capital expenditure, acquisitions and disposals.

2 In relation to completed properties.

3 Land and development valuations by asset type are not available as land sites are not categorised by asset type.

4 Vacancy rate excluding short term lettings for the Group at 31 December 2016 is 6.3%.

5 "Higher value uses" include offices and retail uses such as trade counters, car showrooms and self storage facilities.

## SUMMARY ANALYSIS AS AT 31 DECEMBER 2016

BY GEOGRAPHY	Lettable area (100%) sq m	Lettable area (share) sq m	Completed £m	Land & development £m	Total property assets £m	Valuation movement <sup>1</sup> %	Net initial yield <sup>2</sup> %	Net true equivalent yield <sup>2</sup> %	Vacancy by ERV <sup>2</sup> %
<b>UK</b>									
<b>GREATER LONDON</b>									
London Airports (primarily Heathrow)	538,556	339,020	852.5	69.1	921.6	3.8%	3.9%	5.5%	5.2%
Park Royal	440,695	440,695	981.9	77.0	1,058.9	10.4%	3.7%	5.2%	6.0%
Rest of Greater London	162,032	162,032	308.1	37.3	345.4	8.1%	3.9%	5.5%	6.7%
	<b>1,141,283</b>	<b>941,747</b>	<b>2,142.5</b>	<b>183.4</b>	<b>2,325.9</b>	<b>7.4%</b>	<b>3.8%</b>	<b>5.4%</b>	<b>5.8%</b>
<b>THAMES VALLEY AND NATIONAL LOGISTICS</b>									
Slough Trading Estate	517,444	517,444	1,121.6	44.9	1,166.5	3.5%	4.8%	5.8%	5.0%
Rest of South-East England	84,930	84,930	111.5	23.3	134.8	23.3%	5.1%	6.3%	2.9%
National Logistics	525,808	525,808	604.5	85.7	690.2	0.9%	4.3%	5.7%	14.8%
	<b>1,128,182</b>	<b>1,128,182</b>	<b>1,837.6</b>	<b>153.9</b>	<b>1,991.5</b>	<b>3.6%</b>	<b>4.7%</b>	<b>5.8%</b>	<b>8.1%</b>
<b>UK TOTAL</b>	<b>2,269,465</b>	<b>2,069,929</b>	<b>3,980.1</b>	<b>337.3</b>	<b>4,317.4</b>	<b>5.6%</b>	<b>4.2%</b>	<b>5.6%</b>	<b>6.9%</b>
<b>CONTINENTAL EUROPE</b>									
<b>NORTHERN EUROPE</b>									
Germany/Austria	1,183,890	720,080	550.4	123.4	673.8	3.0%	5.4%	6.0%	2.6%
Belgium/Netherlands	298,882	195,025	112.7	18.7	131.4	(3.2%)	7.2%	7.1%	9.9%
<b>SOUTHERN EUROPE</b>									
France	1,027,991	655,317	469.6	48.9	518.5	2.0%	6.4%	6.9%	1.5%
Italy/Spain	349,015	259,292	153.9	99.6	253.5	6.1%	6.1%	6.7%	0.9%
<b>CENTRAL EUROPE</b>									
Poland	1,160,979	644,553	360.2	28.3	388.5	0.2%	6.5%	6.9%	6.3%
Czech Republic/Hungary	125,918	62,959	39.3	23.0	62.3	4.6%	4.7%	6.9%	7.4%
<b>CONTINENTAL EUROPE TOTAL</b>	<b>4,146,675</b>	<b>2,537,226</b>	<b>1,686.1</b>	<b>341.9</b>	<b>2,028.0</b>	<b>2.0%</b>	<b>6.1%</b>	<b>6.6%</b>	<b>3.6%</b>
<b>GROUP TOTAL</b>	<b>6,416,140</b>	<b>4,607,155</b>	<b>5,666.2</b>	<b>679.2</b>	<b>6,345.4</b>	<b>4.5%</b>	<b>4.8%</b>	<b>5.9%</b>	<b>5.7%</b>

1 The valuation movement percentage is based on the difference between the opening and closing valuations for completed properties which includes properties held throughout the period, completed developments and properties acquired during the period, allowing for capital expenditure, acquisitions and disposals.

2 In relation to completed properties.

## ANALYSIS OF COMPLETED PORTFOLIO AS AT 31 DECEMBER 2016

	Lettable area (100%) sq m	Lettable area (share) sq m	Valuation				Passing rent <sup>1</sup> £m	Headline rent <sup>1</sup> £m	Headline rent £ per sq m <sup>1</sup>	ERV <sup>2</sup> £m
	Investment properties £m	Trading properties £m	Joint ventures £m	Total £m						
<b>UK</b>										
<b>BY ASSET TYPE</b>										
Big box warehouses (>10,000 sq m)	853,776	831,757	1,100.1	–	59.8	1,159.9	48.9	56.7	75.6	68.1
Urban warehouses and light industrial buildings	1,184,490	1,027,090	1,854.6	–	361.8	2,216.4	94.9	108.1	114.9	132.0
Urban warehouses used as data centres	96,385	96,385	314.2	–	–	314.2	15.1	15.5	168.3	16.4
Higher value uses	134,814	114,697	177.3	–	112.3	289.6	16.9	17.5	176.6	17.2
	<b>2,269,465</b>	<b>2,069,929</b>	<b>3,446.2</b>	<b>–</b>	<b>533.9</b>	<b>3,980.1</b>	<b>175.8</b>	<b>197.8</b>	<b>105.1</b>	<b>233.7</b>
<b>BY GEOGRAPHY</b>										
London Airports (primarily Heathrow)	538,556	339,020	318.6	–	533.9	852.5	35.4	42.0	132.5	52.2
Park Royal	440,695	440,695	981.9	–	–	981.9	38.3	44.0	108.4	53.7
Rest of Greater London	162,032	162,032	308.1	–	–	308.1	13.1	15.1	100.0	17.9
<b>GREATER LONDON</b>	<b>1,141,283</b>	<b>941,747</b>	<b>1,608.6</b>	<b>–</b>	<b>533.9</b>	<b>2,142.5</b>	<b>86.8</b>	<b>101.1</b>	<b>115.9</b>	<b>123.8</b>
Slough Trading Estate	517,444	517,444	1,121.6	–	–	1,121.6	57.2	61.1	126.2	65.9
Rest of South-East England	84,930	84,930	111.4	–	–	111.4	6.0	7.1	86.8	7.3
National Logistics	525,808	525,808	604.6	–	–	604.6	25.8	28.5	64.2	36.7
<b>THAMES VALLEY AND NATIONAL LOGISTICS</b>	<b>1,128,182</b>	<b>1,128,182</b>	<b>1,837.6</b>	<b>–</b>	<b>–</b>	<b>1,837.6</b>	<b>89.0</b>	<b>96.7</b>	<b>95.8</b>	<b>109.9</b>
<b>UK TOTAL</b>	<b>2,269,465</b>	<b>2,069,929</b>	<b>3,446.2</b>	<b>–</b>	<b>533.9</b>	<b>3,980.1</b>	<b>175.8</b>	<b>197.8</b>	<b>105.1</b>	<b>233.7</b>
<b>CONTINENTAL EUROPE</b>										
<b>BY ASSET TYPE</b>										
Big box warehouses (>10,000 sq m)	3,451,606	1,912,698	104.3	12.0	996.4	1,112.7	74.2	81.7	44.3	81.3
Urban warehouses and light industrial buildings	646,715	577,420	523.9	3.1	4.1	531.1	33.2	35.0	64.6	34.6
Urban warehouses used as data centres	–	–	–	–	–	–	–	–	–	–
Higher value uses	48,354	47,108	42.3	–	–	42.3	4.6	4.9	111.2	4.4
	<b>4,146,675</b>	<b>2,537,226</b>	<b>670.5</b>	<b>15.1</b>	<b>1,000.5</b>	<b>1,686.1</b>	<b>112.0</b>	<b>121.6</b>	<b>50.1</b>	<b>120.3</b>



## ANALYSIS OF COMPLETED PORTFOLIO AS AT 31 DECEMBER 2016

	Lettable area (100%) sq m	Lettable area (share) sq m	Valuation				Passing rent <sup>1</sup> £m	Headline rent <sup>1</sup> £m	Headline rent £ per sq m <sup>1</sup>	ERV <sup>2</sup> £m
	Investment properties £m	Trading properties £m	Joint ventures £m	Total £m						
<b>CONTINENTAL EUROPE CONTINUED</b>										
<b>BY GEOGRAPHY</b>										
<b>NORTHERN EUROPE</b>										
Germany/Austria	1,183,890	720,080	223.8	–	326.7	550.5	34.0	37.4	53.2	36.5
Belgium/Netherlands	298,882	195,025	36.6	0.1	76.1	112.8	9.7	9.7	54.5	9.4
<b>SOUTHERN EUROPE</b>										
France	1,027,991	655,317	229.3	5.9	234.3	469.5	32.0	34.7	54.6	34.4
Italy/Spain	349,015	259,292	97.3	9.1	47.4	153.8	10.6	11.3	43.6	11.4
<b>CENTRAL EUROPE</b>										
Poland	1,160,979	644,553	83.5	–	276.6	360.1	23.8	26.0	43.4	25.8
Czech Republic/Hungary	125,918	62,959	–	–	39.4	39.4	1.9	2.5	45.9	2.8
<b>CONTINENTAL EUROPE TOTAL</b>	<b>4,146,675</b>	<b>2,537,226</b>	<b>670.5</b>	<b>15.1</b>	<b>1,000.5</b>	<b>1,686.1</b>	<b>112.0</b>	<b>121.6</b>	<b>50.1</b>	<b>120.3</b>
<b>GROUP</b>										
<b>BY ASSET TYPE</b>										
Big box warehouses (>10,000 sq m)	4,305,382	2,744,455	1,204.4	12.0	1,056.2	2,272.6	123.1	138.4	53.4	149.4
Urban warehouses and light industrial buildings	1,831,205	1,604,510	2,378.5	3.1	365.9	2,747.5	128.1	143.1	96.5	166.6
Urban warehouses used as data centres	96,385	96,385	314.2	–	–	314.2	15.1	15.5	168.3	16.4
Higher value uses	183,168	161,805	219.6	–	112.3	331.9	21.5	22.4	156.5	21.6
<b>COMPLETED PORTFOLIO</b>	<b>6,416,140</b>	<b>4,607,155</b>	<b>4,116.7</b>	<b>15.1</b>	<b>1,534.4</b>	<b>5,666.2</b>	<b>287.8</b>	<b>319.4</b>	<b>74.1</b>	<b>354.0</b>
<b>BY OWNERSHIP</b>										
Wholly owned	2,798,172	2,798,172	4,116.7	15.1	–	4,131.8	203.9	226.0	87.1	252.1
Joint ventures	3,617,968	1,808,983	–	–	1,534.4	1,534.4	83.9	93.4	54.4	101.9
<b>COMPLETED PORTFOLIO</b>	<b>6,416,140</b>	<b>4,607,155</b>	<b>4,116.7</b>	<b>15.1</b>	<b>1,534.4</b>	<b>5,666.2</b>	<b>287.8</b>	<b>319.4</b>	<b>74.1</b>	<b>354.0</b>

1 In respect of occupied space only.

2 On a fully occupied basis.

## SUPPLEMENTARY DATA AS AT 31 DECEMBER 2016

### LEASING DATA<sup>1</sup> FOR PERIOD TO 31 DECEMBER

		2016	2015
Take-up of existing space <sup>2</sup> (A)	£m	14.2	18.7
Space returned <sup>3</sup> (B)	£m	(14.1)	(14.1)
<b>Net absorption of existing space (A–B)</b>	<b>£m</b>	<b>0.1</b>	<b>4.6</b>
Other rental movements (rent reviews, renewals, indexation) <sup>2</sup> (C)	£m	1.9	0.6
<b>Rent roll growth from existing space</b>	<b>£m</b>	<b>2.0</b>	<b>5.2</b>
Take-up of developments completed in the period – pre-lets signed in prior years <sup>2</sup> (D)	£m	19.0	7.5
Take-up of developments completed in the period – speculative developments <sup>2</sup> (D)	£m	8.1	6.3
<b>Total take-up<sup>2</sup> (A+C+D)</b>	<b>£m</b>	<b>43.2</b>	<b>33.1</b>
Less take-up of space signed in previous periods <sup>2</sup>	£m	(21.7)	(7.9)
Pre-lets signed in the period for delivery in later periods <sup>2</sup>	£m	23.4	14.1
<b>Rental income contracted in the period<sup>2</sup></b>	<b>£m</b>	<b>44.9</b>	<b>39.3</b>
Take-back of space for re-development <sup>3</sup>	£m	(1.1)	(1.6)
Retention rate <sup>4</sup>	%	75	68

1 All figures reflect exchange rates at 31 December and include joint ventures at share.

2 Headline rent.

3 Headline rent, excluding space taken back for redevelopment.

4 Headline rent retained as a percentage of total headline rent at risk from break or expiry during the period.

5 UK leases subject to review or renewal; Continental Europe leases do not have rent review clauses so these data are for lease renewals only.

### RECONCILIATION BETWEEN PASSING RENT AND ERV

	UK £m	Continental Europe £m	Group £m
<b>PASSING RENT PER VALUATION</b>	<b>182.5</b>	<b>112.9</b>	<b>295.4</b>
Valuation adjustments (incl outstanding rent reviews, rent in arrears)	(6.4)	(0.8)	(7.2)
Less rents from short term lettings	(0.3)	(0.1)	(0.4)
Adjustment for notional rent in respect of rent-free periods	22.0	9.7	31.7
<b>SEGRO CONTRACTED HEADLINE RENT</b>	<b>197.8</b>	<b>121.7</b>	<b>319.5</b>
ERV of vacant properties	17.2	5.1	22.3
Reversion to ERV for properties occupied	18.7	(6.5)	12.2
<b>ERV OF COMPLETED PORTFOLIO</b>	<b>233.7</b>	<b>120.3</b>	<b>354.0</b>

### RENT CHANGE ON RENT REVIEW AND LEASE RENEWALS DURING THE PERIOD

	Headline rent of leases subject to review or renewal £m	New headline rent agreed £m	Change %
Greater London	18.9	20.5	8.1
Thames Valley and National Logistics	8.7	8.9	2.7
<b>UK TOTAL</b>	<b>27.6</b>	<b>29.4</b>	<b>6.4</b>
Northern Europe <sup>5</sup>	1.4	1.4	0.6
Southern Europe <sup>5</sup>	1.8	1.9	4.6
Central Europe <sup>5</sup>	1.8	1.7	(5.4)
<b>CONTINENTAL EUROPE TOTAL<sup>5</sup></b>	<b>5.0</b>	<b>5.0</b>	<b>(0.1)</b>
<b>GROUP TOTAL</b>	<b>32.6</b>	<b>34.4</b>	<b>5.4</b>

## SUPPLEMENTARY DATA AS AT 31 DECEMBER 2016

### LEASE BREAK OPTIONS & EXPIRIES

	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Headline rent					
UK	5.3	7.4	7.7	5.9	7.2
Continental Europe	11.7	8.3	8.4	6.2	7.9
<b>GROUP TOTAL – LEASE BREAK OPTIONS</b>	<b>17.0</b>	<b>15.7</b>	<b>16.1</b>	<b>12.1</b>	<b>15.1</b>
UK	5.0	8.7	12.2	22.7	11.5
Continental Europe	5.8	10.1	10.2	7.7	8.9
<b>GROUP TOTAL – LEASE EXPIRIES ASSUMING NO BREAKS ARE EXERCISED</b>	<b>10.8</b>	<b>18.8</b>	<b>22.4</b>	<b>30.4</b>	<b>20.4</b>
UK	0.0	(0.6)	(0.7)	(1.4)	(3.2)
Continental Europe	(1.7)	(1.2)	(3.2)	(3.0)	(5.5)
<b>GROUP TOTAL – DEDUCTION ASSUMING ALL BREAKS ARE EXERCISED</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(3.9)</b>	<b>(4.4)</b>	<b>(8.7)</b>
<b>GROUP TOTAL – LEASE EXPIRIES AND POTENTIAL BREAKS</b>	<b>26.1</b>	<b>32.7</b>	<b>34.6</b>	<b>38.1</b>	<b>26.8</b>

#### Estimated Rental Value (ERV)

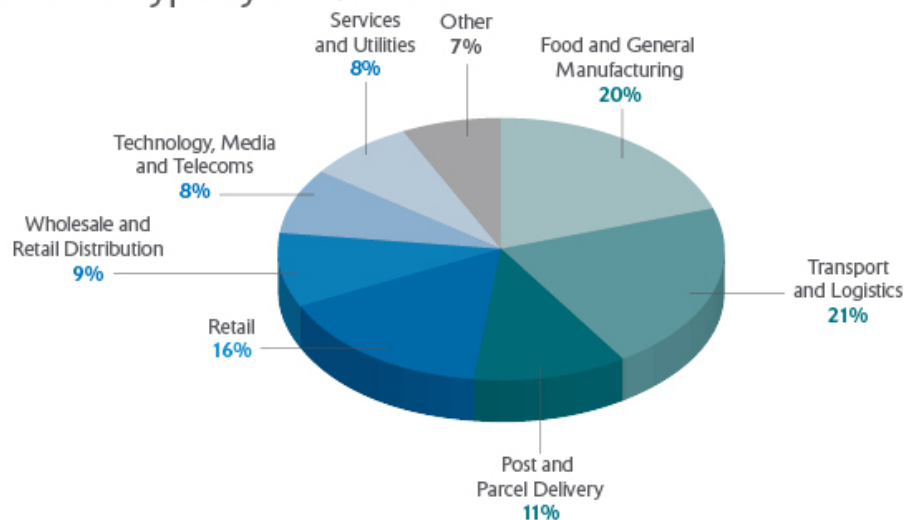
UK	11.2	16.7	25.6	27.8	16.2
Continental Europe	15.0	16.2	14.7	10.4	10.6
<b>GROUP TOTAL – ERV OF LEASES SUBJECT TO BREAK OPTION OR EXPIRY</b>	<b>26.2</b>	<b>32.9</b>	<b>40.3</b>	<b>38.2</b>	<b>26.8</b>

### RENT SUBJECT TO REVIEW

	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Headline rent					
Greater London	11.8	11.7	9.8	11.2	14.1
Thames Valley & National Logistics	12.6	9.8	7.9	8.4	11.6
<b>UK TOTAL</b>	<b>24.4</b>	<b>21.5</b>	<b>17.7</b>	<b>19.6</b>	<b>25.7</b>
Estimated Rental Value (ERV)					
Greater London	13.0	12.9	11.3	12.1	14.3
Thames Valley & National Logistics	13.7	10.5	8.2	8.7	11.8
<b>UK TOTAL</b>	<b>26.7</b>	<b>23.4</b>	<b>19.5</b>	<b>20.8</b>	<b>26.1</b>

## CUSTOMER TYPES AS AT 31 DECEMBER 2016

### Customer type by headline rent



### WEIGHTED AVERAGE LEASE LENGTH<sup>1</sup>

By geography

	Break years	Expiry years
UK	8.2	9.8
Continental Europe	5.2	6.9
<b>GROUP TOTAL</b>	<b>7.1</b>	<b>8.7</b>

<sup>1</sup> Weighted by headline rent.

## TOP 20 CUSTOMERS

### CUSTOMER (BY HEADLINE RENT)

### CUSTOMER TYPE

Deutsche Post DHL	Post & Parcel Delivery; Transport & Logistics
Royal Mail	Post & Parcel Delivery
Federal Express	Post & Parcel Delivery
Sainsburys	Retail
Tesco	Retail
Worldwide Flight Services	Transport & Logistics
Booker Belmont Wholesale	Wholesale & Retail Distribution
DSV	Transport & Logistics
Mars	Manufacturing
La Poste / DPD	Post & Parcel Delivery
IAG (British Airways)	Other
Wincanton	Transport & Logistics
Hermes	Post & Parcel Delivery
Staples	Retail
Geodis	Transport & Logistics
Equinix	Technology, Media and Telecoms
Barclays Bank	Services
Dachser	Transport & Logistics
ID Logistics	Transport & Logistics
London City Bond	Wholesale & Retail Distribution

The top 20 customers represent headline rent of £85 million in aggregate, 27% of the Group's total headline rent at 31 December 2016.

## DEVELOPMENT PIPELINE AS AT 31 DECEMBER 2016

### SUMMARY DEVELOPMENT PIPELINE

	Hectarage (100%) ha	Space to be built (100%) sq m	Current book value <sup>1</sup> £m	Estimated cost to completion <sup>2</sup> £m	ERV when complete <sup>3</sup> £m	Pre-let (ERV) £m	Estimated yield on cost <sup>4</sup> %
<b>CURRENT DEVELOPMENT PIPELINE (A)</b> (see pages 14 and 15)							
UK — wholly-owned	12.8	57,008	30.8	72.1	7.7	3.1	7.9
UK — joint ventures	1.5	7,286	4.6	3.7	0.6	–	6.6
Continental Europe — wholly-owned	60.8	322,669	104.3	70.7	14.7	10.9	7.7
Continental Europe — joint ventures	29.3	153,517	22.0	24.7	3.6	2.2	7.7
	<b>104.4</b>	<b>540,480</b>	<b>161.7</b>	<b>171.2</b>	<b>26.6</b>	<b>16.2</b>	<b>7.7</b>
<b>FUTURE DEVELOPMENT PIPELINE (B)</b>							
UK — wholly-owned	170.9	681,651	188.9	464.9	51.0	–	7.8
UK — joint ventures	3.0	12,077	9.9	6.5	0.9	–	5.5
Continental Europe — wholly-owned	275.8	1,215,134	159.3	563.7	61.5	–	8.5
Continental Europe — joint ventures	165.3	763,603	34.0	138.3	14.9	–	8.6
	<b>615.0</b>	<b>2,672,465</b>	<b>392.1</b>	<b>1,173.4</b>	<b>128.3</b>	<b>–</b>	<b>8.2</b>
<b>TOTAL DEVELOPMENT PIPELINE (A+B)</b>	<b>719.4</b>	<b>3,212,945</b>	<b>553.8</b>	<b>1,344.6</b>	<b>155.0</b>	<b>16.2</b>	<b>8.2</b>
Land subject to conditional sale agreement for alternative use	14.7		101.9				
Other land	164.2		23.5				
<b>TOTAL DEVELOPMENT PIPELINE AND OTHER LAND</b>	<b>898.3</b>		<b>679.2</b>				

1 Includes current value of land plus all costs incurred to date.

2 Estimated costs to completion include estimated finance charges during construction which are capitalised to the end of the construction period.

3 ERV based upon market rents as at 31 December 2016.

4 Yield on cost is the expected gross yield based on the estimated current market rental value (ERV) of the developments when fully let, divided by the cost of the developments taking land at value at commencement of the developments plus total development costs to completion.



## DEVELOPMENT PIPELINE AS AT 31 DECEMBER 2016

### CURRENT DEVELOPMENT PROJECTS

	Development type and customer	Asset class	Ownership %	Space to be built (100%) sq m	Actual/ Expected start	Expected completion
UK						
Heathrow — Central Spaceway	Speculative	Urban warehousing	50	7,286	Dec 16	Aug 17
Park Royal — Monarch House	Pre-let — Travelodge	Higher value use	100	2,936	Nov 16	Mar 18
East London — Jenkins Lane	Pre-let — DPD	Urban warehousing	100	4,200	Aug 17	Sep 18
East London — Rainham Phase 1	Speculative	Urban warehousing	100	21,921	Nov 16	Oct 17
Bracknell — Ellesfield Avenue	Speculative	Urban warehousing	100	8,374	Feb 17	Oct 17
Slough — 40 Liverpool Road	Pre-let — Premier Inn and Costa	Higher value use	100	5,690	Dec 16	Jan 18
Slough — 766-771 Buckingham Av	Speculative	Urban warehousing	100	5,528	Feb 17	Jan 18
Slough — Malton Avenue	Pre-let — Cryoservice	Urban warehousing	100	84	Jan 17	May 17
Slough — Ajax Avenue South	Pre-let — Jardine Motors	Higher value use	100	3,623	Oct 16	Aug 17
Slough — Stirling Road Phase 1	Speculative	Urban warehousing	100	4,652	Feb 17	Jan 18
				<b>64,294</b>		
Percentage let (at 31 December 2016)				<b>37%</b>		
Yield on cost				<b>7.8%</b>		

## DEVELOPMENT PIPELINE AS AT 31 DECEMBER 2016

### CURRENT DEVELOPMENT PROJECTS

	Development type and customer	Asset class	Ownership %	Space to be built (100%) sq m	Actual/ Expected start	Expected completion	
CONTINENTAL EUROPE							
	France — Mitry Mory, Paris	Pre-let — METRO	Big box warehouse	50	57,390	Nov-16	Oct-17
	France — Blanc Mesnil, Paris	Speculative	Urban warehousing	100	3,274	Jul-16	Jan-17
	France — Paris	Pre-let — Parcel delivery company	Big box warehouse	100	13,062	Sep-16	Oct-17
	Italy — Bologna	Pre-let — Jaguar Land Rover	Big box warehouse	100	16,468	Jan-17	Nov-17
	Italy — Milan	Pre-let — Yoox Net a Porter	Big box warehouse	100	46,270	Mar-16	Jul-17
	Italy — Rome	Pre-let — Amazon	Big box warehouse	100	154,533	Jul-16	Oct-17
	Spain — Barcelona, Martorelles Phase 1	Speculative	Big box warehouse	50	17,402	Mar-16	Jan-17
	Germany — Frankfurt, Alzenau Phase 4	Pre-let — B+S	Big box warehouse	50	12,443	Nov-16	Apr-17
	Germany — SEGRO Park Berlin Airport Phase 3	Speculative	Urban warehousing	100	15,861	Mar-17	Oct-17
	Germany — SEGRO Park Berlin Airport	Speculative	Big box warehouse	50	6,138	Oct-16	Aug-17
	Germany — SEGRO Park Berlin Airport	Pre-let — Rieck	Big box warehouse	50	21,039	Oct-16	Aug-17
	Germany — Frankfurt, Bischofsheim Phase 1	Speculative	Big box warehouse	50	18,667	Feb-17	Sep-17
	Germany — Cologne Phase 1	Speculative	Urban warehousing	100	24,483	Jul-17	Jan-18
	Germany — Düsseldorf RhinePark Phase 5	Speculative	Urban warehousing	100	6,751	May-16	Jan-17
	Germany — Düsseldorf CityPark Phase 3	Speculative	Urban warehousing	100	8,596	May-16	Mar-17
	Germany — Munich	Pre-let — Amazon	Urban warehousing	100	15,140	Jun-16	Feb-17
	Netherlands — SEGRO Park Amsterdam Airport	Speculative	Big box warehouse	50	10,638	Sep-16	Oct-17
	Czech Republic — Prague, Tulipan Park	Pre-let — Go / Speculative	Big box warehouse	100	3,182	Sep-16	Feb-17
	Czech Republic — Prague, Tulipan Park	Pre-let — Pivovary	Big box warehouse	100	3,486	Sep-16	Feb-17
	Poland — Duchnice	Pre-let — CAT	Big box warehouse	100	11,563	Jan-17	Jun-17
	Poland — Gliwice	Pre-let — Plastic Omnium	Big box warehouse	50	9,800	Nov-16	May-17
				476,186			
Percentage let (at 31 December 2016)				72%			
Yield on cost				7.7%			
TOTAL				540,480			
Percentage let (at 31 December 2016)				61%			
Yield on cost				7.7%			

1 Yield on cost is the expected gross yield based on the estimated current market rental value (ERV) of the developments when fully let, divided by the value of land at commencement of development plus future development costs to completion.

## DEVELOPMENT PIPELINE AS AT 31 DECEMBER 2016

### DEVELOPMENT PROJECTS COMPLETED IN 2016

	Customer	Asset class	Ownership %	Completed (space, 100%) sq m	Let (space, 100%) sq m	Total ERV (share) £m	ERV of let space (share) £m	Total capital expenditure (share) £m	Completed
<b>UK</b>									
Heathrow — Portal Phase 3	Speculative	Urban warehousing	50	3,361	–			1.8	Apr 16
Heathrow — Unitair	Bollere / Speculative	Urban warehousing	50	14,641	7,648			5.5	Aug 16
Heathrow — Poyle 14	Pre-let — DHL	Big box warehouse	50	16,179	16,179			13.0	Aug 16
Park Royal — Origin, Phase 2	Pre-let — John Lewis	Big box warehouse	100	10,012	10,012			12.1	Apr 16
Park Royal — Origin, Phase 2A	Wasabi / Speculative	Urban warehousing	100	9,347	6,093			11.1	Apr 16
Park Royal — Tudor Estate Phase 2	Speculative	Urban warehousing	100	3,513	2,539			5.8	Apr 16
Enfield — Navigation Park	Speculative	Urban warehousing	100	10,888	4,482			8.3	Aug 16
Enfield — Navigation Park	Pre-let — Camden Brewery	Urban warehousing	100	5,399	5,399			4.1	Nov 16
Slough — 417 & 418 Montrose Av	Pre-let — B&M Retail / Iceland Foods	Higher value use	100	3,113	3,113			3.2	Mar 16
Slough — 814 Leigh Road	Pre-let — BFS Group (3663)	Big box warehouse	100	10,979	10,979			11.2	Mar 16
Slough — Ipswich Road	Williams Trade, HRP and Speculative	Urban warehousing	100	2,863	2,863			2.8	Aug 16
Slough — 4 Dover Road	Pre-let — Travis Perkins	Higher value use	100	1,877	1,877			2.5	Dec 16
Portsmouth — Voyager Park	Pre-let — Formaplex	Big box warehouse	100	11,148	11,148			9.9	May 16
Reading — Imperial Way	Pre-let — Sytner	Higher value use	100	4,820	4,820			9.3	Sep 16
Rugby Gateway	Speculative	Big box warehouse	100	43,958	–			28.1	Sep 16
Rugby Gateway	Pre-let — Hermes	Big box warehouse	100	25,242	25,242			30.1	Oct 16
				<b>177,340</b>	<b>112,394</b>	<b>19.4</b>	<b>14.0</b>	<b>158.8</b>	
<b>Percentage let (at 31 December 2016)</b>							<b>72%</b>		

## DEVELOPMENT PIPELINE AS AT 31 DECEMBER 2016

### DEVELOPMENT PROJECTS COMPLETED IN 2016

	Customer	Asset class	Ownership %	Completed (space, 100%) sq m	Let (space, 100%) sq m	Total ERV (share) £m	ERV of let space (share) £m	Total capital expenditure (share) £m	Completed
<b>CONTINENTAL EUROPE</b>									
France — Blanc Mesnil	Speculative	Urban warehousing	100	3,896	2,879			3.0	Feb 16
France — Paris	Pre-let — TNT	Big box warehouse	100	17,778	17,778			13.5	Sep 16
Italy — Pontenure	Pre-let — OVS	Big box warehouse	100	18,131	18,131			5.2	May 16
Italy — Milan	Micron and Speculative	Higher value use	100	8,112	7,643			10.3	Jun 16
Italy — Bologna	Pre-let — Yoox Net a Porter	Big box warehouse	100	13,011	13,011			6.5	Nov 16
Italy — Bologna	Pre-let — One Express	Big box warehouse	100	14,430	14,430			6.0	Nov 16
Austria — Vienna	Pre-let — DHL	Urban warehousing	100	8,203	8,203			10.4	Dec 16
Germany — Inglostadt	Pre-let — Rudolph	Big box warehouse	50	28,301	28,301			4.5	Feb 16
Germany — Inglostadt	Rudolph	Big box warehouse	50	15,594	15,594			1.6	Jul 16
Germany — Leipzig	Pre-let — BioRad	Big box warehouse	50	15,390	15,390			4.5	Dec 16
Germany — Düsseldorf	Pre-let — DHL	Urban warehousing	100	8,224	8,224			5.6	Dec 16
Poland — Ozarow Duchrice	Pre-let — LK Joanna	Urban warehousing	100	6,787	6,787			1.8	Mar 16
Poland — Gliwice	Pre-let — Kaufland	Urban warehousing	50	5,940	5,940			0.8	Apr 16
Poland — Gliwice	Pre-let — JMBS	Big box warehouse	100	12,483	12,483			5.4	Aug 16
Poland — Komorniki	Pre-let — Tesco	Big box warehouse	50	30,243	30,243			4.7	Aug 16
Poland — Nadarzyn	Sanpol/WPC/Speculative	Big box warehouse	50	14,857	10,724			1.7	Nov 16
Poland — Tychy	Pre-let — Valeo	Big box warehouse	50	14,244	14,244			1.9	Dec 16
Czech Republic — Prague	Xpress Trans and Speculative	Big box warehouse	50	8,662	2,211			1.1	May 16
				<b>244,286</b>	<b>232,216</b>	<b>9.8</b>	<b>9.5</b>	<b>88.4</b>	
Percentage let (at 31 December 2016)							<b>97%</b>		
<b>TOTAL</b>				<b>421,626</b>	<b>344,610</b>	<b>29.3</b>	<b>23.5</b>	<b>247.1</b>	
Total percentage let (at 31 December 2016)							<b>80%</b>		

## GLOSSARY OF TERMS

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### **Completed portfolio**

The completed investment properties and the Group's share of joint ventures' completed investment properties. Includes properties held throughout the period, completed developments and properties acquired during the period.

### **Development pipeline**

The Group's current programme of developments authorised or in the course of construction at the balance sheet date (Current Pipeline), together with potential schemes not yet commenced on land owned or controlled by the Group (Future Pipeline).

### **EPRA**

The European Public Real Estate Association, a real estate industry body, which has issued Best Practices Recommendations in order to provide consistency and transparency in real estate reporting across Europe.

### **Estimated cost to completion**

Costs still to be expended on a development or redevelopment to practical completion, including attributable interest.

### **Estimated rental value (ERV)**

The estimated annual market rental value of lettable space as determined biannually by the Group's valuers. This will normally be different from the rent being paid.

### **Headline rent**

The annual rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV) ignoring any rent-free period.

### **Hectares (Ha)**

The area of land measurement used in this analysis. The conversion factor used, where appropriate, is 1 hectare = 2.471 acres.

### **Investment property**

Completed land and buildings held for rental income return and/or capital appreciation.

### **Joint venture**

An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

### **Net true equivalent yield**

The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time. Rent is assumed to be paid quarterly in advance, in line with standard UK lease terms.

### **Net initial yield**

Passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs. This is in accordance with EPRA's Best Practices Recommendations.

### **Net rental income**

Gross Rental Income less ground rents paid, net service charge expenses and property operating expenses.

### **Net true equivalent yield**

Net equivalent yield assuming rent is received quarterly in advance.

### **Passing rent**

The annual rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV). Excludes rental income where a rent free period is in operation. Excludes service charge income (which is netted off against service charge expenses).

### **Pre-let**

A lease signed with an occupier prior to completion of a development.

### **REIT**

A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. SEGRO plc and its UK subsidiaries achieved REIT status with effect from 1 January 2007.



## GLOSSARY OF TERMS

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**Rent roll**

See Passing Rent.

**Speculative development**

Where a development has commenced prior to a lease agreement being signed in relation to that development.

**Square metres (sq m)**

The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is 1 square metre = 10.7639 square feet.

**Take-back**

Rental income lost due to lease expiry, exercise of break option, surrender or insolvency.

**Topped up net initial yield**

Net initial yield adjusted to include notional rent in respect of let properties which are subject to a rent free period at the valuation date. This is in accordance with EPRA's Best Practices Recommendations.

**Total capital expenditure**

Total capital expenditure excluding land value.

**Trading property**

Property being developed for sale or one which is being held for sale after development is complete.

**Yield on cost**

Yield on cost is the expected gross yield based on the estimated current market rental value (ERV) of the developments when fully let, divided by the book value of the developments at the earlier of commencement of the development or the balance sheet date plus future development costs and estimated finance costs to completion.



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