2 September 2016

SEGRO plc

Trading Update

SEGRO plc ("SEGRO" or the "Group") today publishes a trading update for the period since 30 June 2016[1].

David Sleath, Chief Executive, said:

"Occupational demand for modern, well-located warehouse space has continued to be strong over the past two months. Although it is too early to assess the longer term impact of the UK vote to leave the EU, it has not yet had a material impact on our operating business: our vacancy rate remains low and we have seen further net absorption of existing space. In addition, since 30 June 2016, we have signed unconditional pre-let agreements for 188,600 sq m of space across Europe which will generate £6.0 million of new annualised headline rent and the pipeline of near-term opportunities remains encouraging.

"There has been limited investment transactional activity in the warehouse sector in what is traditionally a quiet period, although we have exchanged contracts to dispose of an industrial estate near Heathrow for a small premium to book value at 30 June 2016 to an international investor, demonstrating continued investment demand for the asset class."

Continued momentum on leasing and pre-leasing of warehouse space (Appendix 1)

- Continuing the positive leasing trend seen in the first half of 2016, we contracted £9.9 million of new rent during the period since 30 June 2016, including £2.8 million of existing space.
- The vacancy rate has remained stable since 30 June 2016 at 4.8 per cent reflecting completion of speculative space not yet let during the period, offset by £1.7 million net absorption of existing space and lettings of recently completed speculative developments.
- Rents are continuing to improve in our UK markets, especially in London and South East England. In the calendar year to 25 August 2016, new rents on review and renewal were 4.8 per cent higher in the UK (4.6 per cent for H1 2016) and 0.7 per cent lower (1.7 per cent lower for H1 2016) in our Continental European portfolio, due mainly to slightly lower rents on renewal in Central Europe.

New pre-let developments added to committed development pipeline since 30 June 2016 (Appendix 2)

- **Active development projects:** We signed five new, unconditional pre-let agreements for 188,639 sq m of warehouse space during the period, including a 154,500 sq m big box warehouse in Rome let to a global online retailer and a 13,100 sq m urban warehouse in Paris let to FedEx/TNT.
- At 25 August 2016, adjusting the current development pipeline disclosed as at 30 June 2016, 629,108 sq m of space is under development, equating to potential future annualised rent of £32.2 million (reflecting SEGRO's share; 30 June 2016: £26.5 million) of which 76 per cent is now let or pre-let (30 June 2016: 440,469 sq m, 67 per cent let or pre-let). These projects should generate a yield on total development cost of 7.9 per cent (10.5 per cent on new money, i.e. development capital expenditure including, in some instances, land acquisition costs) with a cost to complete of £198.9 million (30 June 2016: £125.0 million).

- **Additional near-term pre-let development projects expected to start in the next 6 to 12 months:** At 25 August 2016, we have a potential near-term pipeline of a further 296,200 sq m of pre-let development projects (reflecting 146,100 sq m of projects added since 30 June 2016), equating to £12.8 million of additional rent and £140.2 million of additional capital expenditure. Assuming successful conclusion of negotiations and planning applications, these projects are expected to generate a yield on cost of 7.6 per cent (9.1 per cent yield on new money, including a number of acquisitions of land held under option) when complete.
- **Potential speculative development projects:** In addition, we have speculative projects totalling 192,300 sq m of urban warehouse space in and around London, Slough and major conurbations in Germany which can be started at short notice and delivered relatively quickly. The projects would involve capital expenditure of £117.2 million and could generate a further £11.9 million of rent when fully let, equating to a yield on cost of 8.3 per cent (10.2 per cent yield on new money) when complete. While we retain significant flexibility over when to commence construction of these developments, we currently expect most to begin within the next 6 to 12 months.

Disciplined Capital Allocation: evidence of enduring investor demand for quality warehousing

- The IPD Monthly Index showed a 1.9 per cent fall in UK industrial property capital values for the month of July (1.4 per cent decline for the year to end-July) reflecting (at least in part) a number of expedited sales by open-ended property funds in the aftermath of the EU referendum. Total returns year to date from UK industrial real estate continue to outperform most other property sectors.
- Since 30 June 2016, we have exchanged contracts to sell a wholly-owned multi-let industrial estate in Heston, west London, for £79.5 million, which represents a 5.1 per cent topped-up initial yield and a small premium to 30 June 2016 book value. This transaction, with an international investor, was initiated in the period after the EU referendum.
- We expect to make further disposals over the coming year which will provide funds for investment. These will primarily be big box warehouses and land in Continental Europe offered to our SELP joint venture, along with other tactical disposals of mature assets.
- Investment acquisitions are likely to be modest since, in most markets, we believe the risk-adjusted returns available to us through development are more attractive than from buying existing, built assets. However, we will remain alert and open to acquisitions where returns are attractive and in markets where we are seeking additional scale. For example, since 30 June 2016, we have acquired a newly-developed big box warehouse in Turin let to sports retailer Decathlon in an off-market transaction within the SELP joint venture for €16.3 million (at 100 per cent; SEGRO share €8.15 million) representing a 6.25 per cent initial yield for a 12 year lease.

Financial calendar

We will publish a full Trading Update for the third quarter on Thursday 20 October 2016 and the 2016 full year results will be published on Friday 17 February 2017.

[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 period to, or at, 25 August 2016 unless otherwise indicated. For comparative purposes, the exchange rate applied is €1.20:£1, in line with the exchange rate at 30 June 2016.

Appendices

1. Leasing data for the period to 25 August 2016[1]

		1 July – 25 Aug 2016	H1 2016
Take-up of existing space[2] (A)	£m	2.8	8.0
Space returned[3] (B)	£m	(1.1)	(6.6)
NET ABSORPTION OF EXISTING SPACE (A-B)	**£m**	**1.7**	**1.4**
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	0.2	0.8
RENT ROLL GROWTH FROM EXISTING SPACE	**£m**	**1.9**	**2.2**
Take-up of developments completed in the period — pre-let space[2] (D)	£m	2.2	6.5
Take-up of developments completed in the period — speculative space[2] (D)	£m	1.3	5.0
TOTAL TAKE UP[2] (A+C+D)	**£m**	**6.5**	**20.3**
Less take-up of pre-lets and speculative lettings signed in prior periods[2]	£m	(3.2)	(7.5)
Pre-lets and speculative lettings signed in the period for delivery in later periods[2]	£m	6.6	8.7
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**9.9**	**21.5**
Take-back of space for redevelopment	£m	0.0	(0.5)

1 To ensure comparability, all figures reflect exchange rates at 30 June 2016 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. Development pipeline since 30 June 2016[1]

By space (sq m, at 100%)	Current	Near-term Pre-let[2]	Near-term Speculative[2]
30 June 2016	**440,469**	**328,419**	**165,258**
Added to current pipeline	188,639	(178,327)	–
Conditional pre-let agreements signed	–	146,119	–
New speculative projects for future development	–	–	27,017
Total at 25 August 2016	**629,108**	**296,211**	**192,275**

By rent (£m, at share)	Current (Let or pre-let)	Near-term Pre-let[2]	Near-term Speculative[2]
30 June 2016	**26.5 (17.7)**	**15.0**	**9.5**
Land sold to SELP for development	(0.3)	–	–
Added to current pipeline	6.0	(5.8)	–
Conditional pre-let agreements signed	–	3.6	–
New speculative projects for future development	–	–	2.4
Total at 25 August 2016	**32.2 (24.6)**	**12.8**	**11.9**

By capital expenditure (£m, at share)	Current[3]	Near-term Pre-let[2]	Near-term Speculative[2]
30 June 2016	**125.0**	**159.7**	**68.4**
Land sold to SELP for development	(4.4)	–	–
Added to current pipeline	78.3	(75.0)	–
Conditional pre-let agreements signed	–	55.5	–
New speculative projects for future development	–	–	48.8
Total at 25 August 2016	**198.9**	**140.2**	**117.2**

1 To ensure comparability, all figures reflect exchange rates at 30 June 2016 and include joint ventures at share.
2 Estimated.
3 Cost to complete.

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This Trading Update, the most recent Annual and Interim Reports 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.

Forward-looking statements: This announcement contains certain forward-looking statements with respect to SEGRO's current expectations and projections about future performance, anticipated events or trends and other matters that are not historical facts. These forward-looking statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan" "estimate", "expect" and words of similar meaning, include all matters that are not historical facts and reflect the directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement. These statements are subject to unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Statements contained in this announcement 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 subject to change without notice and, except as required by applicable law, SEGRO does not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein. Any forward-looking statements speak only as of the date they are made. Any indication in this announcement of the price at which SEGRO's shares have been bought or sold in the past cannot be relied upon as a guide to future performance. No statement in this announcement is or is intended to be a profit forecast or profit estimate or to imply that the earnings of SEGRO for the current or future financial years will necessarily match or exceed the historical or published earnings of SEGRO. The price of shares and the income from them may go down as well as up and investors may not get back the full amount invested on disposal of the shares. Past performance is no guide for future performance.

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 over six million square metres of space valued at £7.4 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 nine other European countries.

For further information see www.SEGRO.com/investors.