

21 April 2016



SEGRO plc

Trading Update

SEGRO plc (“SEGRO” or the “Group”) today publishes its trading update for the period from 1 January to 20 April 2016¹.

David Sleath, Chief Executive, said:

“2016 is progressing well and in line with our expectations. Occupier demand for good quality, modern warehouse space in key locations remains encouraging and we have had another strong quarter of signing up new rental commitments, showing a healthy improvement compared to the equivalent period last year driven by pre-let agreements and letting up space developed speculatively.

“Whilst real estate investment volumes generally in the first half of 2016 are expected to be much reduced on 2015, recent transactions suggest that investor demand for high quality, well located warehouses remains strong.”

Driving operational excellence and delivering profitable growth from development (Appendix 1)

- In the first quarter, we contracted £8.6 million of new rent (Q1 2015: £6.0 million), including £3.6 million of pre-lets (Q1 2015: £1.8 million).
- The vacancy rate has remained at near historic lows, increasing slightly to 5.1 per cent (31 December 2015: 4.8 per cent), mainly reflecting the return of short-term space taken over the Christmas period (+0.5 per cent) and lease expiries (+0.1 per cent), offset by development lettings (–0.3 per cent).
- £4.1 million of space was returned during the quarter (Q1 2015: £3.5 million), including £1.2 million in March from an anticipated single lease expiry in Park Royal. This expiry was the major contributor to the £0.5 million of net take-back of existing space and we are already in negotiations with potential occupiers to take the 9,300 sq m unit.
- 53,100 sq m of developments were completed in the first quarter, capable of generating annualised rent of £3.0 million (SEGRO share) when fully let, of which £2.8 million has already been leased.
- We approved or commenced the development of 164,300 sq m of space during the first quarter, of which 98,500 sq m is pre-let. This includes 51,400 sq m of pre-let space being developed across two buildings in Italy comprising a 36,600 sq m distribution warehouse for Yoox, the global internet luxury fashion retailer, and 14,800 sq m for international freight distributor One Express.
- Within the 65,800 sq m of new speculative urban warehousing development approved, 20,400 sq m is in our Heathrow and Thames Valley markets and 45,400 sq m in Frankfurt where the supply of modern warehouses for urban distribution is very limited. Much of this development is on land purchased within the last 18 months.
- 518,800 sq m of space was approved or under development as at 31 March 2016, of which 56 per cent is pre-let (31 December 2015: 407,871 sq m, 61 per cent pre-let). These projects equate to potential future annualised rent of £30.3 million (SEGRO share; 31 December 2015: £26.1 million), reflecting a projected yield on total development cost of 7.8 per cent.

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

- We completed the disposal of the Bath Road office portfolio in January in line with our strategic plan to focus the portfolio on modern warehouse assets in key logistics hubs and population centres in Europe.
- As previously indicated, the level of asset pricing in the investment market means that the focus of our investment activity has been on development rather than acquisitions. As a result, during the quarter we acquired (off-market) £14.7 million of urban warehouses in Continental Europe at an average topped-up initial yield of 6.7 per cent, and spent approximately £42 million on development. We continue to expect to spend approximately £300 million on development during 2016 as a whole.
- In the UK, the IPD Monthly Index showed 0.1 per cent growth in industrial property capital values during the first quarter, notwithstanding the impact of the increase in stamp duty on commercial property, outperforming the All Property growth rate of -0.2 per cent.

Net debt reduced by £0.2 billion during the quarter

- Net debt (including our share of debt in joint ventures) at 31 March 2016 was £2.0 billion (31 December 2015: £2.2 billion) principally reflecting receipt of the Bath Road disposal proceeds, partially offset by the impact of the weaker sterling-euro exchange rate.

Financial calendar

The 2016 interim results will be published on Tuesday 26 July 2016.

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 2016 was €1.26:£1 (31 December 2015: €1.36:£1).

Appendices

1. Leasing data for the period to 31 March¹

| | | Q1 2016 | Q1 2015 |
|--|-----------|--------------|------------|
| Take-up of existing space ² (A) | £m | 3.7 | 4.1 |
| Space returned ³ (B) | £m | (4.1) | (3.5) |
| NET ABSORPTION OF EXISTING SPACE (A-B) | £m | (0.4) | 0.6 |
| Other rental movements (rent reviews, renewals, indexation) ² (C) | £m | (0.1) | 0.0 |
| RENT ROLL GROWTH FROM EXISTING SPACE | £m | (0.5) | 0.6 |
| Take-up of pre-let developments completed in the period ² (D) | £m | 2.7 | 2.1 |
| Take-up of speculative developments completed in the period ² (E) | £m | 1.4 | 0.1 |
| TOTAL TAKE UP² (A+C+D+E) | £m | 7.7 | 6.3 |
| Less take-up of pre-lets signed in prior periods ² | £m | (2.7) | (2.1) |
| Pre-lets signed in the period for delivery in later periods ^{2 4} | £m | 3.6 | 1.8 |
| RENTAL INCOME CONTRACTED IN THE PERIOD² | £m | 8.6 | 6.0 |
| Take-back of space for redevelopment | £m | (0.1) | (0.7) |

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.

⁴ Includes lettings of speculatively developed space prior to completion.

2. Acquisitions completed during the three months to 31 March 2016

| Asset location / type | Purchase price ¹ (£m, SEGRO share) | Net initial yield (%) | Topped-up net initial yield ² (%) |
|--|--|--------------------------|---|
| Continental Europe: Land | 6.2 | n/a | n/a |
| Continental Europe: Light industrial | 14.7 | 5.9 | 6.7 |
| Total acquisitions during the quarter | 20.9 | 5.9³ | 6.7³ |

¹ Excluding acquisition costs; purchase price reflects exchange rate at 31 March 2016 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 2016

| Asset location / type | Gross proceeds (£m, SEGRO share) | Net initial yield (%) | Topped-up net initial yield ¹ (%) |
|---|-------------------------------------|--------------------------|---|
| UK: Office | 325.0 | 5.6 | 6.3 |
| Total disposals during the quarter | 325.0 | 5.6 | 6.3 |

¹ Topped up net initial yield includes rent due after expiry of rent-free periods.

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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.

Forward-looking statements: This announcement may contain 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 and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Certain statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of SEGRO speak only as of the date they are made. SEGRO does not undertake to update forward-looking statements to reflect any changes in SEGRO's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.

About SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, asset manager and developer of modern warehousing and light industrial property. It owns or manages 6.0 million square metres of space in £6.8 billion of assets (at 31 December 2015, excluding the office portfolio sold in January 2016; SEGRO's share totals £5.5 billion), serving customers from a wide range of industry sectors. Its properties are located around major conurbations and at key transportation hubs across ten European countries, principally in the UK, France, Germany and Poland.

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