

17 April 2019

SEGRO plc

Trading Update

SEGRO plc (“SEGRO” or the “Group”) today publishes its trading update for the period from 1 January to 16 April 2019¹.

David Sleath, Chief Executive, said:

“Our business has continued to perform well during the first quarter, securing £21 million of new headline rent from a combination of increasing occupancy, uplifts from rent reviews and renewals and our development activity. We currently have 44 projects under construction, which are expected to generate £57 million of annualised rent and are already 72 per cent leased.

“The new equity raised in February provides the capacity to pursue further growth opportunities and we have a number of additional pre-let development projects at advanced stages of negotiation. Whilst we remain mindful of macroeconomic and political risks, we believe that our high quality portfolio of assets in prime locations across the UK and Continental Europe positions us well to continue to benefit from the structural drivers of e-commerce and urbanisation.”

Operational Excellence: Continuing to deliver profitable growth from active asset management and development (Appendix 1)

- In the first quarter, we secured £21.2 million of new headline rent² (Q1 2018: £27.3 million). Rent roll growth on existing space was particularly strong at £6.0 million (Q1 2018: £0.5 million), significantly benefiting from the re-gearing of a number of leases in our Heathrow portfolio. Within this we have secured new pre-lets of £11.1 million (Q1 2018: £23.3 million), well above the three-year quarterly average run rate of £7 million.
- The vacancy rate has reduced to 4.4 per cent (31 December 2018: 5.2 per cent). The decrease since December reflects strong lettings of both existing and recently completed speculative space as well as the impact of disposals and low take-backs.
- 100,000 sq m of developments were completed in the quarter, capable of generating £3.8 million of headline rent when fully let, of which £2.8 million (75 per cent) has been secured.
- 1.0 million sq m of space was under development or approved for development at 31 March 2019 (31 December 2018: 0.8 million sq m). These projects equate to potential future annualised headline rent of £57 million, 72 per cent of which has been leased (31 December 2018: £46 million, 73 per cent leased), reflecting an estimated, fully-let yield on total development cost of approximately 7 per cent.
- The development pipeline includes pre-lets signed during the period totalling 203,000 sq m. In the UK we secured a pre-let for a new data centre on the Slough Trading Estate and for the rail freight terminal at SEGRO Logistics Park East Midlands Gateway (SLP-EMG). In Italy we have agreed to construct a 103,000 sq m warehouse close to Rome for a global online retail company as well as two warehouses close to Milan for a hypermarket group and a third party logistics operator.

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

- Net investment during Q1 2019 totalled £40 million, comprising £100 million of development capex and land purchases, £10 million of asset acquisitions and £70 million of asset and land disposals.
- Our investment activity continues to focus on delivering our current development pipeline and securing land to enable further development. We invested £90 million in development capex during the quarter and acquired £10 million of development land in Italy, Poland and the UK, almost all of which is connected to near term pre-let agreements. We continue to expect total investment in our development pipeline to exceed £600 million for 2019 as a whole (comprising approximately £400 million for development capex and the remainder on land acquisitions).
- During the quarter we disposed of £70 million of land and assets, including a vacant big box warehouse in the Midlands and the building completed for Shop Direct at SLP-EMG on a turnkey basis.
- We took the opportunity to acquire a newly-built 28,000 sq m warehouse in Barcelona, leased to a third party logistics operator, helping us to build scale in this attractive location.

Equity placing strengthens the balance sheet and supports further development-led growth

- We raised £451 million of new equity in a placing to enable us to continue to add to our future development pipeline.
- Net debt (including our share of debt in joint ventures) at 31 March 2019 was £2.2 billion (31 December 2018: £2.7 billion). The decrease principally reflects the net proceeds from the equity placing.
- The look-through loan to value (LTV) ratio at 31 March 2019 (based on asset values at 31 December 2018, adjusted for development expenditure, acquisitions and disposals) was 23 per cent (31 December 2018: 29 per cent).
- We estimate that the average number of shares for 2019 will be approximately 1,080 million, taking into account the new shares issued in the Placing and the provisional take-up of the final dividend in scrip form (subject to approval at the Annual General Meeting).

Financial calendar

The 2019 interim results will be published on Tuesday 23 July 2019.

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 2019 was €1.16:£1 (31 December 2018: €1.11:£1; 31 March 2018: €1.14:£1).

² Headline rent is annualised gross passing rent receivable once incentives such as rent free periods have expired.

Appendices

1. Leasing data for the period to 31 March¹

		Q1 2019	Q1 2018
Take-up of existing space ² (A)	£m	4.2	2.4
Space returned ³ (B)	£m	(2.0)	(3.1)
NET ABSORPTION OF EXISTING SPACE (A-B)	£m	2.2	(0.7)
Other rental movements (rent reviews, renewals, indexation) ² (C)	£m	3.8	1.2
RENT ROLL GROWTH FROM EXISTING SPACE	£m	6.0	0.5
Take-up of developments completed in the period — pre-let space ² (D)	£m	2.7	5.2
Take-up of speculative developments ² (E)	£m	2.1	2.0
TOTAL TAKE UP² (A+C+D+E)	£m	12.8	10.8
Less take-up of pre-lets and speculative lettings signed in prior periods ²	£m	(2.7)	(6.8)
Pre-lets and lettings on speculative developments signed in the period for future delivery ²	£m	11.1	23.3
RENTAL INCOME CONTRACTED IN THE PERIOD²	£m	21.2	27.3
Take-back of space for redevelopment	£m	0.0	0.0

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 2019

Asset location / type	Purchase price ¹ (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield ² (%)
Continental Europe: Big box warehouse	10.3	5.9	5.9
Continental Europe: Land	7.3	n/a	n/a
UK: Land	2.8	n/a	n/a
Total acquisitions during the quarter	20.4	5.9³	5.9³

¹ Excluding acquisition costs; purchase price reflects exchange rate at 31 March 2019 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 2019

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield ¹ (%)
UK: Big box warehouse	17.4		Vacant on disposal
UK: Turnkey sale	50.5	n/a	n/a
Continental Europe: Land	1.7	n/a	n/a
Total disposals during the quarter	69.6	n/a	n/a

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 contains certain forward-looking statements with respect to SEGRO plc's ('SEGRO') expectations and plans, strategy, management objectives, future developments and performances, 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 SEGRO's shareholders 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. 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 to reflect any 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 forecast. The information in this announcement does not constitute an offer to sell or an invitation to buy securities in SEGRO or an invitation or inducement to engage in any other investment activities.

About SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, manager and developer of modern warehouses and industrial property. It owns or manages 7.0 million square metres (75 million square feet) of space valued at £11 billion (as at 31 December 2018), 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 eight other European countries.

See www.SEGRO.com for further information.