19 October 2017

SEGRO plc

Trading Update

SEGRO plc ("SEGRO" or the "Group") today publishes a trading update for the period from 1 July 2017 to 18 October 2017[1].

David Sleath, Chief Executive, said:

"The positive momentum in SEGRO's business has continued, driving increased rental income across both existing and new space. During the third quarter, we have completed new big box distribution warehouses for Yoox Net a Porter and Amazon in Italy, and a new urban parcel distribution warehouse for Fedex/TNT in Paris, reflecting demand related to e-commerce which continues to be an important component of our business.

"Investor appetite for prime warehouse assets remains strong, attracted by the structural drivers of occupier demand, limited supply and the prospect of rental growth particularly in the UK and in urban warehousing in Continental Europe.

"These trends in occupier and investor demand provide a supportive backdrop for SEGRO's performance for the remainder of 2017 and into 2018."

Positive leasing momentum driven by robust occupier market (Appendix 1)

- We contracted £8.8 million of new headline rent[2] during the third quarter, including £3.8 million in rent from existing space. Total contracted headline rent for the nine months to 30 September 2017 was £36.4 million, 3 per cent ahead of a very strong prior year comparator.
- We completed 313,000 sq m of fully let developments which will generate £12 million of headline rent, the largest of which was a 156,000 sq m fulfilment centre for Amazon in Rome.
- Strong lettings of existing space and development completions in the third quarter have contributed to an improvement in the vacancy rate to 4.1 per cent (30 June 2017: 5.5 per cent). In particular, we have let the final speculatively developed warehouses at Rugby Gateway in the Midlands and Navigation Park in Enfield to DHL, meaning both estates are now fully let. In addition, we have let one of the two remaining warehouses at Origin in West London to Amazon. These three transactions added £2.4 million of headline rent.
- We have continued to capture reversionary potential from our UK portfolio, with new headline rents on review and renewal approximately 15 per cent higher in the UK and 1.5 per cent lower in Continental Europe in the nine months to 30 September 2017.

Significant investment activity focused on delivering profitable and low risk developments

- We signed new, unconditional pre-let agreements totalling £1.3 million of headline rent during the third quarter, including to retailer Leroy Merlin near the inland port of Gennevilliers, close to the centre of Paris.
- At 30 September 2017, 725,000 sq m of space was in the current development pipeline, equating to potential future headline rent of £41 million (30 June 2017: 920,400 sq m, £46 million). These projects are 54 per cent let or pre-let by rent, from 68 per cent at 30 June 2017, reflecting the completion of developments in the third quarter which were entirely pre-let. The current development pipeline is expected to generate a yield on total development cost of approximately 8 per cent. Developments capable of generating £14 million of headline rent are

expected to complete in the fourth quarter, of which £9 million has been secured. We are on course to invest in excess of £350 million in our development pipeline in 2017.

- During the third quarter, we invested £17 million in four land acquisitions for future development in the UK, Italy and Spain, two of which are already subject to pre-let agreement.

Enduring investor demand for high quality warehousing continues to strengthen capital values (Appendices 2 and 3)

- The CBRE Monthly Index reported a 3.1 per cent increase in UK industrial property capital values for the third quarter (9.1 per cent increase for the first nine months of 2017). The strong investor demand for pan-European portfolios acquired in recent months provides evidence of the enduring appeal of the asset class across our markets.
- During the third quarter, we completed an asset swap in Continental Europe, selling a £34 million wholly-owned asset in Paris in exchange for a big box warehouse in Lyon which was acquired by the SELP joint venture for £36.2 million (SEGRO share: £18.1 million). We also sold a small industrial estate near Stansted airport, formerly held within the APP joint venture. Neither of the disposed assets was core to our business and acquiring the warehouse in Lyon is in line with our strategy of building scale in this important, and undersupplied, logistics hub in France.

Financing activity has improved the balance sheet by extending the maturity and has reduced the cost of debt

- On 11 October 2017, we completed the tender of £550 million of outstanding bonds at a cash cost of £677 million, and the new issue of £750 million of new 12 and 20 year bonds. The impact of these transactions increases the average maturity of Group debt by 3 years to 10.8 years, reduces the average cost of debt by around 0.5 per cent to approximately 2.5 per cent, thereby reducing our annualised interest cost by approximately £10 million. EPRA NAV will be approximately £127 million (13 pence) lower.
- Net debt (including our share of debt in joint ventures) at 30 September 2017 was £2.3 billion (£2.5 billion when adjusted for the bond tender and issue; 30 June 2017: £2.1 billion).
- The look-through loan to value (LTV) ratio at 30 September 2017 (based on asset values at 30 June 2017, adjusted for development expenditure, acquisitions and disposals) was 31 per cent (33 per cent when adjusted for the bond tender and issue).

Financial calendar

The 2017 full year results will be published on Friday 16 February 2018.

[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, 30 September 2017 unless otherwise indicated. The exchange rate applied is €1.13:£1 as at 30 September 2017.

[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 30 September[1 2]

		Q3 2017	Q3 2016	9M 2017	9M 2016
Take-up of existing space (A)	£m	3.8	3.9	7.2	12.0
Space returned[2] (B)	£m	(1.5)	(2.4)	(4.5)	(9.0)
NET ABSORPTION OF EXISTING SPACE (A-B)	**£m**	**2.3**	**1.5**	**2.7**	**3.0**
Other rental movements (rent reviews, renewals, indexation) (C)	£m	1.0	0.5	3.5	1.3
RENT ROLL GROWTH FROM EXISTING SPACE	**£m**	**3.3**	**2.0**	**6.2**	**4.3**
Take-up of pre-let developments completed in the period (D)	£m	11.8	5.1	14.8	11.6
Take-up of speculative developments completed in the period (E)	£m	2.7	1.3	6.5	6.4
TOTAL TAKE UP (A+C+D+E)	**£m**	**19.3**	**10.8**	**32.0**	**31.3**
Less take-up of pre-lets and speculative lettings signed in prior periods	£m	(11.8)	(6.2)	(15.5)	(13.7)
Pre-lets and speculative lettings signed in the period for delivery in later periods	£m	1.3	8.9	19.9	17.8
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**8.8**	**13.5**	**36.4**	**35.4**
Take-back of space for redevelopment	£m	(0.6)	(0.4)	(3.2)	(0.9)

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

2. Acquisitions completed during the three months to 30 September 2017

Asset location / type	Purchase price[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield[2] (%)
Continental Europe: Big box warehouse	18.1	6.2	6.2
Continental Europe: Land	16.7	n/a	n/a
Total acquisitions during the quarter	**34.8**	**6.2[3]**	**6.2[3]**

1 Excluding acquisition costs; purchase price reflects exchange rate at 30 September 2017 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 30 September 2017

Asset location / type	Gross proceeds[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield[2] (%)
UK: Light industrial	6.8	5.9	6.2
Continental Europe: Retail warehouse	34.1	4.6	4.6
Total disposals during the quarter	**40.9**	**4.8**	**4.9**

1 Proceeds reflect exchange rate at 30 September 2017 and include joint ventures at share.
2 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 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 6.3 million square metres (68 million square feet) of space valued at over £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 nine other European countries.

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

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