

28 April 2015



## SEGRO plc

### Trading update

SEGRO plc (“SEGRO” or the “Group”) today publishes its trading update for the period from 1 January to 27 April 2015<sup>1</sup>.

#### **David Sleath, Chief Executive, said:**

“We have made a good start to 2015. Our operational performance has been in line with our expectations at the time of our full year results announcement, with net absorption of existing space, a continued low vacancy rate and improving UK rental levels. The development programme is progressing well and we expect to add further projects to the active pipeline during the remainder of the year.

“Occupational market conditions continue to improve in the UK and are also better in Continental Europe than they were this time last year. Investor demand for well-located industrial and logistics assets remains strong in the UK and, increasingly, in Continental Europe where competition for such assets has also noticeably intensified. Our investment activity in the first quarter has been focused on building out our current land bank and on acquiring a number of excellent land plots for future development.”

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

- We completed 71,700 sq m of developments in the first quarter, capable of generating annualised rent of £2.9 million, of which £2.1 million has already been secured. Completions include big box logistics assets for Volkswagen and Zabka in Poland, and 6,600 sq m of new warehouse space on the Slough Trading Estate.
- We approved or commenced development of 71,800 sq m of space during the period, including two new pre-let projects: with John Lewis Partnership in Park Royal (9,900 sq m, agreed in late 2014 subject to planning permission which was received in February 2015) and with logistics operator Rhenus in Poland (4,700 sq m, within the SEGRO European Logistics Partnership (‘SELP’) joint venture).
- 241,500 sq m of space was under development at 31 March 2015, of which 36 per cent is pre-let (31 December 2014: 241,400 sq m, 44 per cent pre-let). These projects equate to potential future annualised rent of £18.6 million (31 December 2014: £17.1 million), reflecting a projected yield on total development cost of 8.6 per cent. We have invested around £21 million in the development pipeline in the first quarter, with a further £118 million required to complete the current pipeline.
- Continuing the positive leasing trend seen in the second half of 2014, there was a £0.7 million net absorption of existing space during the first quarter (Q1 2014: £1.1 million net take-back of space).
- The vacancy rate remains low at 6.7 per cent (6.3 per cent at 31 December 2014). The small rise was mainly due to speculative development completions in the period and take-backs following the expiration of some seasonal short term leases.
- Rents are improving in the UK, especially in London and South East England.

## Disciplined Capital Allocation: investment shift towards replenishing the strategic land bank (Appendices 2 and 3)

- The IPD Monthly Index showed 2.0 per cent growth in UK industrial property capital values for the first quarter, with London and South East industrial performing better than the average, demonstrating continued occupier and investment demand for industrial and warehouse properties.
- £103 million of investment acquisitions were completed in the first quarter. This mainly comprised £77 million of land, focused around Greater London, the Thames Valley and Cologne. In all these markets, supply of available land for industrial development is limited and demand for new industrial space is growing. We also acquired £26 million of standing assets at a blended topped-up net initial yield of 7.9 per cent.
- £97 million of asset disposals were exchanged or completed in the first quarter, slightly ahead of book values at 31 December 2014, and reflecting a blended topped-up net initial yield of 8.1 per cent. These include the office campus at Energy Park outside Milan, the last of the original six large, non-strategic assets identified for disposal.

### Net debt unchanged

- Net debt (including our share of debt in joint ventures) at 31 March 2015 was £2.0 billion, unchanged from 31 December 2014.

### Financial calendar

The 2015 interim results will be published on Tuesday 28 July 2015. We expect to report our full year 2015 results on Friday 19 February 2016.

<sup>1</sup> 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 2015 was €1.38:£1.

## Appendices

### 1. Leasing data for the period to 31 March<sup>1</sup>

		Q1 2015	Q1 2014
Take-up of existing space <sup>2</sup> (A)	£m	4.1	3.4
Space returned <sup>3</sup> (B)	£m	(3.4)	(4.5)
<b>NET ABSORPTION OF EXISTING SPACE (A-B)</b>	<b>£m</b>	<b>0.7</b>	<b>(1.1)</b>
Other rental movements (rent reviews, renewals, indexation) <sup>2</sup> (C)	£m	0.0	0.0
<b>RENT ROLL GROWTH FROM EXISTING SPACE</b>	<b>£m</b>	<b>0.7</b>	<b>(1.1)</b>
Take-up of pre-let developments completed in the period <sup>2</sup> (D)	£m	2.1	0.3
Take-up of speculative developments completed in the period <sup>2</sup> (E)	£m	0.1	0.3
<b>TOTAL TAKE UP<sup>2</sup> (A+C+D+E)</b>	<b>£m</b>	<b>6.3</b>	<b>4.0</b>
Less take-up of pre-lets signed in prior periods <sup>2</sup>	£m	(2.1)	(0.3)
Pre-lets signed in the period for delivery in later periods <sup>2</sup>	£m	1.7	5.7
<b>RENTAL INCOME CONTRACTED IN THE YEAR<sup>2</sup></b>	<b>£m</b>	<b>5.9</b>	<b>9.4</b>
Take-back of space for redevelopment	£m	(0.7)	0.0

<sup>1</sup> All figures reflect exchange rates at 31 March and include joint ventures at share.

<sup>2</sup> Annualised rental income, after the expiry of any rent-free periods.

<sup>3</sup> Annualised rental income, excluding space taken back for redevelopment.

## 2. Acquisitions completed during the three months to 31 March 2015

Asset location / type	Purchase price <sup>1</sup> (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield <sup>2</sup> (%)
UK: Land	68.6	n/a	n/a
Continental Europe: Land	8.0	n/a	n/a
Continental Europe: Light industrial	12.4	8.4	8.4
Continental Europe: Big box logistics	13.7	7.4	7.4
<b>Acquisitions during the quarter</b>	<b>102.7</b>	<b>7.9<sup>3</sup></b>	<b>7.9<sup>3</sup></b>

<sup>1</sup> Excluding acquisition costs; purchase price reflects exchange rate at 31 March 2015 and includes joint ventures at share.

<sup>2</sup> Topped up net initial yield includes rent due after expiry of rent-free periods.

<sup>3</sup> Yield excludes land acquisitions.

## 3. Disposals exchanged or completed during the three months to 31 March 2015

Asset location / type	Gross proceeds <sup>1</sup> (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield <sup>2</sup> (%)
Continental Europe: Light industrial	10.8	14.1	14.1
Continental Europe: Offices (Energy Park) – completed in 2Q 2015	86.6	7.3	7.3
<b>Total disposals during the quarter</b>	<b>97.4</b>	<b>8.1<sup>3</sup></b>	<b>8.1<sup>3</sup></b>

<sup>1</sup> Proceeds reflect exchange rate at 31 March 2015 and include joint ventures at share.

<sup>2</sup> Topped up net initial yield includes rent due after expiry of rent-free periods.

<sup>3</sup> Yield excludes land disposals.

## CONFERENCE CALL FOR INVESTORS AND ANALYSTS

There will be a conference call at 08.30 hours (UK time) today on the following number:

Telephone: +44 (0) 20 3059 8125  
 Password: SEGRO plc Q1 Trading Update

An audio recording of the conference call will be available until 5 May 2015 on +44 (0) 121 260 4861 and +1 866 268 1947 (USA), with passcode 0592682#.

## CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES:

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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](http://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 5.7 million square metres of space in £6.0 billion of assets (at 31 December 2014, SEGRO's share of which totals £4.8 billion), serving 1,200 customers from a wide range of industry sectors. Its properties are located around major conurbations and at key transportation hubs across eight European countries, principally in the UK, France, Germany and Poland.

For further information see [www.SEGRO.com](http://www.SEGRO.com)