21 October 2020

SEGRO plc

Trading Update

SEGRO plc ("SEGRO" or the "Group") today publishes a trading update for the period from 1 July 2020 to 20 October 2020[1].

David Sleath, Chief Executive, said:
"SEGRO has continued to perform well in the third quarter with the acceleration of structural trends fuelling further demand for our asset class from both customers and investors, outweighing any negative economic impacts from the pandemic.

"This has led to another period of strong leasing activity, helping us grow rental income on the existing portfolio through capturing reversion as well as continuing to secure further pre-let developments. Our active, substantially de-risked, development programme comprises over 1 million sq m of new space under construction or in advanced discussions.

"Rental collection has improved this quarter and we remain confident in the outlook for our business despite the macroeconomic uncertainties caused, in part, by Covid-19. We expect to continue to drive sustainable growth in both earnings and dividends from the combination of new rental income from the development programme, compounded with the benefits from active asset management of our existing prime portfolio."

Continued strong leasing performance and capture of reversionary potential (Appendix 1)

- We signed contracts worth £15.8 million (Q3 2019: £15.3 million) of new headline rent[2] during the third quarter, taking the total for the nine months to 30 September 2020 to £49.6 million (9M 2019: £48.6 million).
- Rent roll growth from existing space, net of take-backs was £5.6 million (Q3 2019: £2.1 million), taking the nine-month figure to £7.9 million (9M 2019: £10.6 million).
- We have continued to capture reversionary potential from our portfolio, with new headline rents on review and renewal 10.3 per cent higher than previous passing rent in the nine months to 30 September 2020 (30 June 2020: 10.4 per cent). This excludes the impact of securing the final re-gear of the peppercorn leases in the Heathrow portfolio which, when included, increases the uplift to 22.3 per cent.
- So far in 2020 we have completed 695,800 sq m (9M 2019: 765,900 sq m) of new developments, capable of generating £38.0 million (9M 2019: £33.7 million) of headline rent, 80 per cent of which has been leased. Developments capable of generating £11 million of headline rent are expected to complete in the fourth quarter, £8 million of which has been secured.
- The vacancy rate was stable at 5.2 per cent (30 June 2020: 5.2 per cent).
- Customer retention remains high at 88 per cent, reflecting our prime locations and focus on excellence in customer service.

Rental collection remains strong (Appendix 4)

- Rental collection has continued to progress well with Q4 rent collection in the UK currently at 85 per cent of total rent billed, higher than at the equivalent date in the second and third quarters. A further 13 per cent has been deferred by agreement with customers, most of which is now payable monthly meaning that the majority of this will have been received by the end of the year.
- Rents in our Continental European portfolio are typically paid monthly so we are still early in the Q4 collection cycle. Current indications are that Continental Europe is also tracking ahead of previous quarters (98 per cent of rents have been collected for both Q2 and Q3).
- We have now collected 96 and 95 per cent of the Q2 and Q3 rents respectively across the Group, in line with the payment plans agreed with our customers. Of the remaining £9 million we expect to collect £6 million by the end of the year and the remainder in 2021.

£70 million of potential new headline rent from 1 million sq m of new space under construction or in advanced discussions

- We signed £5.8 million (Q3 2019: £7.7 million) of new, unconditional pre-let agreements and lettings of speculative developments prior to completion, taking the nine-month figure to £24.6 million (9M 2019: £22.2 million). These included pre-lets in Italy and Spain to a leading global online retailer, as well as our largest ever pre-let in Germany to a new customer in the fast-growing e-commerce homewares sector.
- At 30 September 2020, 645,800 sq m of space was under construction, equating to potential future headline rent of £38 million (30 June 2020: 809,500 sq m, £45 million) of which 75 per cent has been secured (30 June 2020: 85 per cent). Once complete and fully let, the pipeline is expected to generate a yield on total development cost of approximately 6.5 per cent.
- Further 'near-term' pre let projects are expected to commence in the coming months, with potential capex of £300 million and associated rent of £32 million.

Continuing to focus the majority of our investment into development, with additional opportunistic acquisitions of standing assets. (Appendices 2 and 3)

- We remain on course to invest in excess of £800 million in our development pipeline (including land, infrastructure and construction) in 2020 as a whole.
- As announced today, since the period end we have acquired Electra Park, a prime urban warehouse park in a central London location just 2 miles north of Canary Wharf, for £133 million.
- During the third quarter we invested £14 million in standing asset acquisitions, included in which was an urban warehouse in North London and a big box warehouse close to Barcelona.
- We also invested £29 million in our land bank, the majority of which was spent on land acquisitions in Spain as part of our strategy to achieve scale in this market. All of the sites acquired are in close vicinity to the attractive logistics markets of Barcelona and Madrid.
- Disposals during the quarter were modest, as expected, totaling £13 million and including the sale of a big box warehouse in Italy to our SELP joint venture and a plot of land in Germany. So far in 2020 we have disposed of £73 million of assets and land (9M 2019: £122 million).

Balance sheet positioned to support further development-led growth

- Further debt refinancing with the repayment of £79 million 6.75 per cent SEGRO bonds due 2021 and £39 million 7 per cent SEGRO bonds due 2022, and the issue of €450 million of US Private Placement notes with a blended coupon of 1.6 per cent and average maturity of 17 years agreed in July, to be funded in the fourth quarter.

- Net debt (including our share of debt in joint ventures) at 30 September 2020 was £2.7 billion (30 June 2020: £2.5 billion), equating to a pro forma[3] look-through LTV of 24 per cent (30 June 2020: 22 per cent).
- Approximately 7 per cent of the interim dividend was paid as scrip, resulting in the issue of 0.6 million new shares during the quarter. Earnings per share for 2020 are expected to be based on an average of approximately 1,150 million shares.

Financial calendar
The 2020 full year results will be published on Friday 19 February 2021.

[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 2020 unless otherwise indicated. The exchange rate applied is €1.10:£1 as at 30 September 2020.

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

[3] Based on values at 30 June 2020, adjusted for acquisitions, disposals and other capital expenditure during the third quarter.

Appendices

1. Leasing data for the period to 30 September[1 2]

		Q3 2020	Q3 2019	9M 2020	9M 2019
Take-up of existing space (A)	£m	2.2	2.8	8.8	9.5
Space returned[2] (B)	£m	(2.3)	(4.2)	(10.5)	(8.4)
NET ABSORPTION OF EXISTING SPACE (A-B)	**£m**	**(0.1)**	**(1.4)**	**(1.7)**	**1.1**
Other rental movements (rent reviews, renewals, indexation) (C)	£m	5.7	3.5	9.6	9.5
RENT ROLL GROWTH FROM EXISTING SPACE	**£m**	**5.6**	**2.1**	**7.9**	**10.6**
Take-up of developments completed in the period – pre-let space (D)	£m	14.8	1.7	24.9	25.7
Take-up of speculative developments completed in the past two years (E)	£m	2.4	2.2	8.6	8.3
TOTAL TAKE UP (A+C+D+E)	**£m**	**25.1**	**10.2**	**51.9**	**53.0**
Less take-up of pre-lets and speculative lettings signed in prior periods	£m	(15.1)	(2.6)	(26.9)	(27.3)
Pre-lets and lettings on speculative developments signed in the period for future delivery	£m	5.8	7.7	24.6	22.9
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**15.8**	**15.3**	**49.6**	**48.6**
Take-back of space for redevelopment	£m	(1.6)	(0.3)	(2.1)	(0.3)

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 2020

Asset location / type	Purchase price[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield[2] (%)
UK: Urban warehouses	9.0		Vacant on acquisition
Continental Europe: Big box	4.7	5.8	5.8
Continental Europe: Land	29.4	n/a	n/a
Total acquisitions during the quarter	**43.1**	**5.8[3]**	**5.8[3]**

1 Excluding acquisition costs; purchase price reflects exchange rate at 30 September 2020 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 2020

Asset location / type	Gross proceeds[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield[2] (%)
Continental Europe: Big box warehouse[3]	8.7	0.0	6.2
Continental Europe: Land	4.3	n/a	n/a
Total disposals during the quarter	**13.0**	**0.0**	**6.2**

1 Proceeds reflect exchange rate at 30 September 2020 and include joint ventures at share.
2 Topped up net initial yield includes rent due after expiry of rent-free periods.
3 Acquired as part of portfolio of land and assets

4. Rental collection update (as at 19 October 2020)

		Q2			Q3			Q4[1]
		UK	**CE**	**Group**	**UK**	**CE**	**Group**	**UK**
Paid	%	94	98	96	92	98	95	85
Deferrals (including payment plans)	%	6	1	4	7	0	4	13
Outstanding	%	0	1	0	1	2	1	2
Total	%	100	100	100	100	100	100	100
Total rent billed	£m	60	42	102	60	42	102	61

1 Rents in our Continental European portfolio are typically paid monthly so we are still early in the collection cycle

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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's 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 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 plc or an invitation or inducement to engage in any other investment activities.*

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.

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 8.1 million square metres of space (88 million square feet) valued at £13.3 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 seven other European countries.

For 100 years SEGRO has been creating the space that enables extraordinary things to happen. From modern big box warehouses, used primarily for regional, national and international distribution hubs, to urban warehousing located close to major population centres and business districts, it provides high-quality assets that allow its customers to thrive.

See www.SEGRO.com for further information.