

19 April 2017

SEGRO plc

Trading Update

SEGRO plc (“SEGRO” or the “Group”) today publishes its trading update for the period from 1 January to 18 April 2017¹.

David Sleath, Chief Executive, said:

“SEGRO has had an excellent start to 2017. We have signed £16 million of new headline rent, including almost £11 million of pre-let agreements relating to 300,000 sq m of new projects which have been approved or are underway. We were delighted to acquire full ownership of our Heathrow assets during the quarter and with the shareholder support for the associated rights issue, which also secured the necessary funding for our high quality development pipeline.

“Investor demand for warehouse and industrial assets remains strong across our markets and this may lead to further yield compression and capital growth in the first half of the year.”

Operational excellence: continuing momentum in occupational markets

- In the first quarter, we contracted £16.3 million of new rent (Q1 2016: £8.6 million), including £10.6 million of pre-lets (Q1 2016: £3.6 million).
- The vacancy rate remains low at 5.6 per cent (31 December 2016: 5.7 per cent), mainly reflecting the impact of acquisitions and disposals (+0.3 per cent), offset by development lettings (–0.3 per cent) and by net take-up of existing space (–0.1 per cent).
- 32,500 sq m of speculative developments were completed in the first quarter, capable of generating headline rent of £1.6 million (SEGRO share) when fully let, of which 40 per cent had been secured at 31 March 2017. No pre-let developments were completed in the period.
- During the first quarter, we approved or commenced the development of 291,200 sq m of space, most of which were projects categorised in the near-term development pipeline at the end of 2016. These projects represent £13.6 million of potential headline rent, of which 76 per cent is pre-let, and include a 46,000 sq m extension to the Leroy Merlin facility in Milan and a 46,600 sq m facility for a discount supermarket chain in Lyon; in addition, we have agreed to construct a 46,300 sq m warehouse near Milan, also for a discount supermarket chain, which was not in the near-term pipeline at 31 December 2016.
- At 31 March 2017, 799,200 sq m of new space was approved or under development, of which 68 per cent (by headline rent) is pre-let (31 December 2016: 540,480 sq m, 61 per cent pre-let). These projects equate to potential headline rent of £39.0 million (31 December 2016: £26.6 million), reflecting a projected yield on total development cost of approximately 8 per cent.

Disciplined Capital Allocation: investment activity focused on development and Airport Property Partnership (“APP”) acquisition (Appendices 2 and 3)

- We took full ownership of the APP in March, acquiring Aviva’s 50 per cent interest in the £1.1 billion vehicle. The net consideration paid was £365 million after taking account of the debt and other liabilities assumed within APP. During the first quarter, we have seen encouraging levels of occupational demand for space within the APP portfolio and continued to make progress in re-gearing peppercorn leases at the Heathrow Cargo Centre due to expire in 2019.

- At 31 March 2017, the passing rent of SEGRO's standing assets (including share of assets in joint ventures) was £310.9 million and the ERV (based on the 31 December 2016 valuation) was £380.3 million (31 December 2016: £287.8 million and £354.0 million respectively).
- Since 31 March 2017, we have completed the disposal of the Northfields Industrial Estate to St George, a member of the Berkeley Group.
- In the UK, the CBRE Monthly Index showed 3.2 per cent growth in industrial property capital values during the first quarter, outperforming the All Property growth rate of 1.3 per cent.

Net debt reduced by £0.1 billion during the quarter; LTV ratio approximately 29 per cent

- We raised £556 million of (net) new equity in a rights issue to fund the cash element of the APP acquisition and to invest in future development projects.
- Net debt (including our share of debt in joint ventures) at 31 March 2017 was £2.0 billion (31 December 2016: £2.1 billion). The decrease principally reflects receipt of the net proceeds from the rights issue, offset by the £216 million cash consideration for, and the £170 million net debt assumed with, the acquisition of the 50 per cent interest in APP, and by £80 million of development capex.
- The look-through loan to value ratio at 31 March 2017 was approximately 29 per cent, based on asset values at 31 December 2016. We continue to expect to invest in excess of £300 million in our development pipeline during 2017.

Financial calendar

The 2017 Half Year Results will be published on Tuesday 25 July 2017.

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 2017 was €1.18:£1 (31 December 2016: €1.17:£1).

Appendices

1. Leasing data for the three months to 31 March¹

		Q1 2017	Q1 2016
Take-up of existing space ² (A)	£m	2.1	3.7
Space returned ³ (B)	£m	(1.1)	(4.1)
NET ABSORPTION OF EXISTING SPACE (A-B)	£m	1.0	(0.4)
Other rental movements (rent reviews, renewals, indexation) ² (C)	£m	1.4	(0.1)
RENT ROLL GROWTH FROM EXISTING SPACE	£m	2.4	(0.5)
Take-up of pre-let developments completed in the period ² (D)	£m	0.0	2.7
Take-up of speculative developments ^{2,4} (E)	£m	2.8	1.4
TOTAL TAKE UP² (A+C+D+E)	£m	6.3	7.7
Less take-up of leases on developments signed in prior periods ²	£m	(0.6)	(2.7)
Pre-lets signed in the period for delivery in later periods ^{2,5}	£m	10.6	3.6
RENTAL INCOME CONTRACTED IN THE PERIOD²	£m	16.3	8.6
Take-back of space for redevelopment	£m	(0.1)	(0.1)

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 Speculative developments completed during the preceding two years.

⁵ Includes lettings of speculatively developed space prior to completion.

2. Acquisitions completed during the three months to 31 March 2017

Asset location / type	Purchase price ¹ (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield ² (%)
UK: Acquisition of 50% interest in APP	548.5	3.6	4.2
Continental Europe: Land	17.3	n/a	n/a
Total acquisitions during the quarter	565.8	3.6³	4.2³

¹ Excluding acquisition costs; purchase price reflects exchange rate at 31 March 2017.

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 2017

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield ¹ (%)
UK: Light Industrial	149.9	3.7	4.8
Total disposals during the quarter	149.9	3.7	4.8

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, manager and developer of modern warehouses and light industrial property. It owns or manages 6.4 million square metres (69 million square feet) of space valued at £8 billion (as at 31 December 2016), 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.

See www.SEGRO.com for further information.