



2016 INVESTOR & ANALYST EVENT

DRIVING GROWTH IN LONDON

5 MAY 2016

Time	Topic	Speaker
09.15	Introduction	David Sleath, SEGRO
	Leveraging scale and pursuing growth in London	Alan Holland, SEGRO
	London Market Overview	Kevin Mofid and Richard Sullivan, Savills
	Heathrow Airport	John Holland-Kaye, CEO of Heathrow Airport
	Q&A and Tour details	
11.00	Coffee break	
11.15	Depart for Greenford Park	
12.00	Tours of Brompton Bicycles and Sotheby's	
13.15	Depart Greenford Park (visit Nestlé Hayes en route)	
14.00	Lunch	
15.00	Tour of Royal Mail Worldwide Distribution Centre, Axis Park	
16.00	Depart Axis Park (visit DHL Poyle en route)	
16.30	Coach drop-off at Hatton Cross before returning to Central London	



Alan Holland
London Business Unit
Director



Simon Pursey
Head of UK Investment

Asset Management



Mike Cummings
Park Royal



Alison Yard
Heathrow

Development



Mark Snow
Development



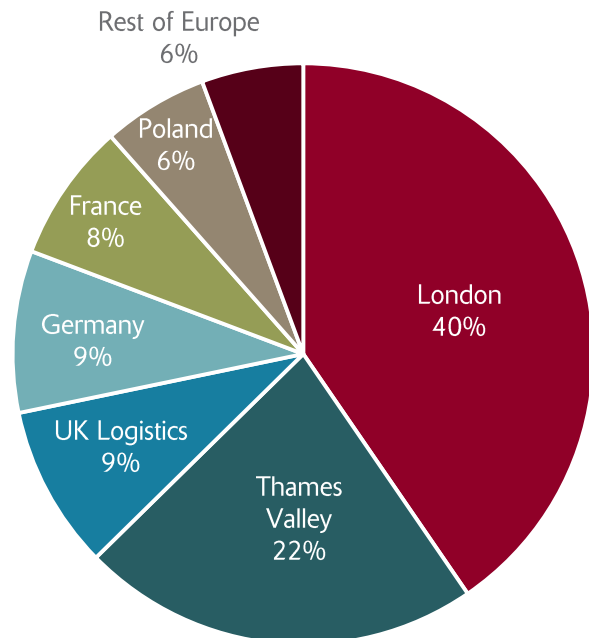
James Craddock
Development

Asset recycling



Ben Baldwin
Investment

SEGRO portfolio by geography (£5.5bn at share)



London portfolio in figures (31 December 2015)

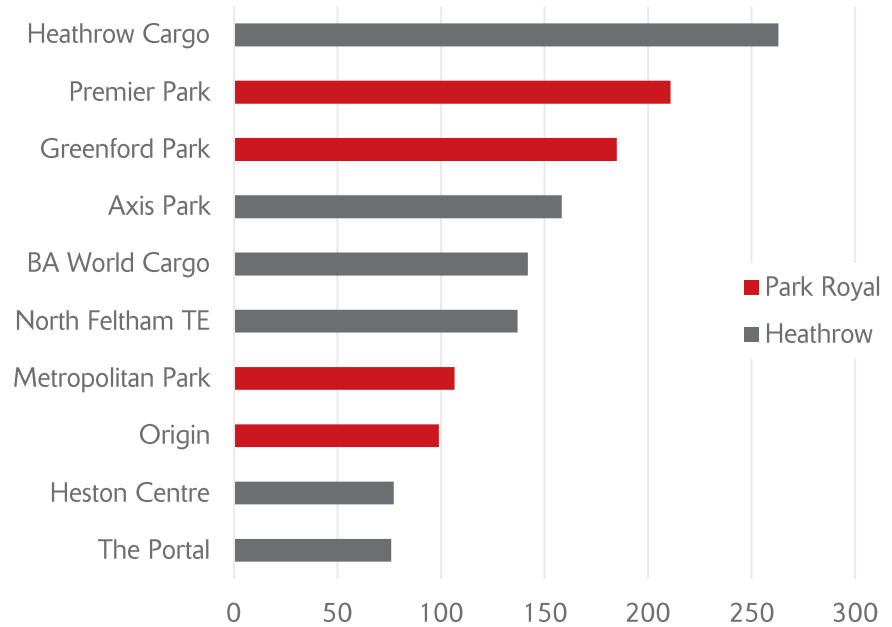
Floor space (sq ft; at 100%)	12.5 million
No. of estates	54
No. of customers	446
Valuation (AUM / at share) – completed assets	£2.5bn / £2.0bn
Yields	
• Net initial	4.3%
• True equivalent	5.5%
Rents	
• Passing	£89.7m
• Contracted (topped-up)	£98.3m
• ERV	£116.2m
Land and development	
• Area	60 hectares
• Value (at share)	£227.1m
Vacancy rate (by ERV)	5.4%
WAULT (to earlier of break or expiry)	8 years

London & South East England holdings



- | | | |
|--|----------------------------|--|
| 1 Slough | 9 Navigation Park, Enfield | 17 Nelson Trade Park, Wimbeldon |
| 2 Heathrow | 10 Edmonton | 18 Basingstoke |
| 3 Park Royal | 11 Uxbridge | 19 Gatwick Cargo Centre |
| 4 Stansted Cargo | 12 Barking* | 20 Gatwick International Distribution Centre |
| 5 Hatfield* | 13 Deptford | |
| 6 Hoddesdon* | 14 Rainham | |
| 7 Innova Park, Enfield | 15 West Thurrock* | |
| 8 Great Cambridge Industrial Estate, Enfield | 16 Reading | |
-
- | | | |
|-----------------------|-------------|-----------|
| Key Land Sites | | |
| 1 Hayes | 4 Bracknell | 7 Howbury |
| 2 East+ | 5 Slough | |
| 3 Purfleet | 6 Enfield | |

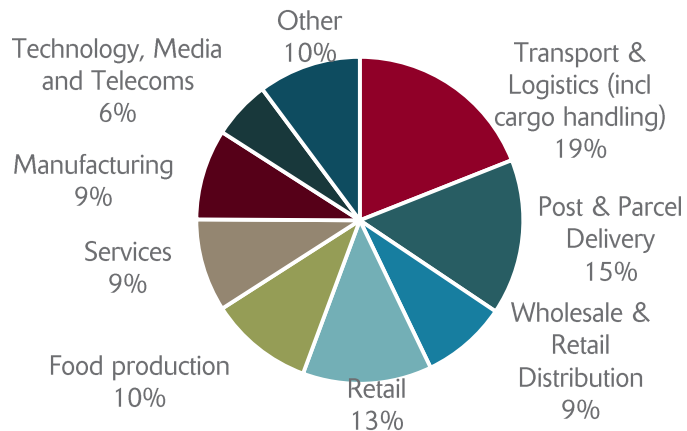
Top 10 London holdings by value, £m (100% value)



Data for 31 December 2015

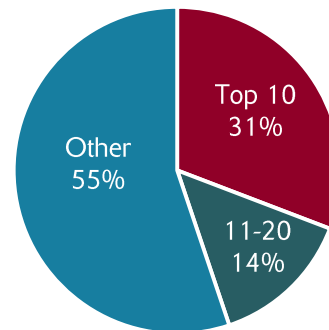
Diverse London customer base, all needing rapid access to consumer and labour markets

Customer type by contracted rent



Top 20 customers account for 45% of rent

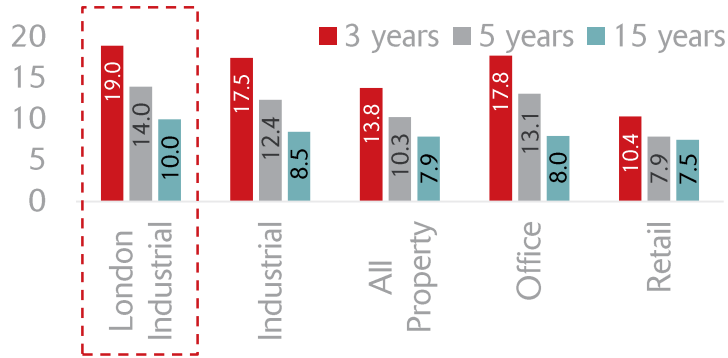
By contracted rent



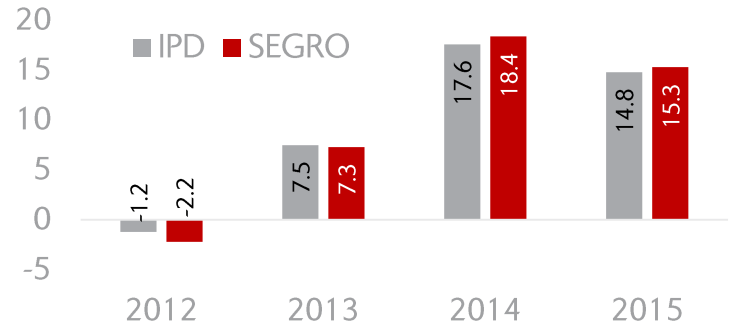
Charts based on contracted rent at 31 March 2016



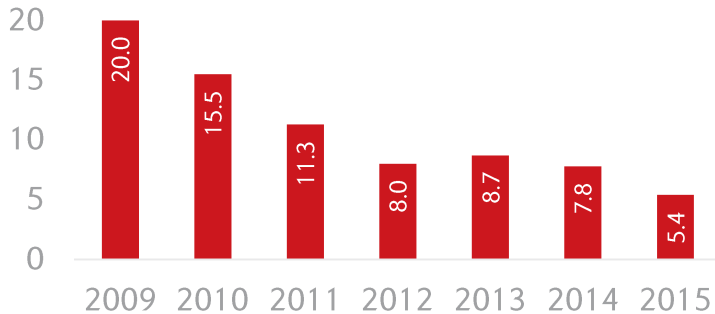
Annualised IPD Total Property Returns¹, %



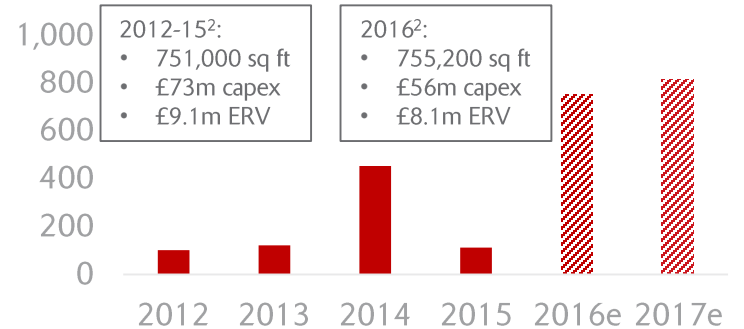
SEGRO London capital value growth vs IPD London industrial¹, %



SEGRO London vacancy rate by ERV, %



SEGRO London development completions, 000 sq ft



1 Source: MSCI Real Estate, IPD Quarterly Index

2 Space completed at 100%; capex and ERV at SEGRO share

- Strong and growing occupier demand
- Limited and falling supply
- Strong market position – high barriers to entry

→ Good rental and capital growth prospects

→ Significant development potential



View 406, Enfield



Heathrow Cargo Area



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LEVERAGING SCALE; PURSUING GROWTH

ALAN HOLLAND
LONDON BUSINESS UNIT DIRECTOR

5 MAY 2016

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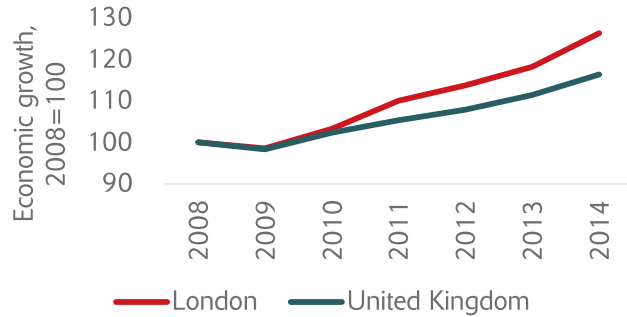


View 406, Enfield



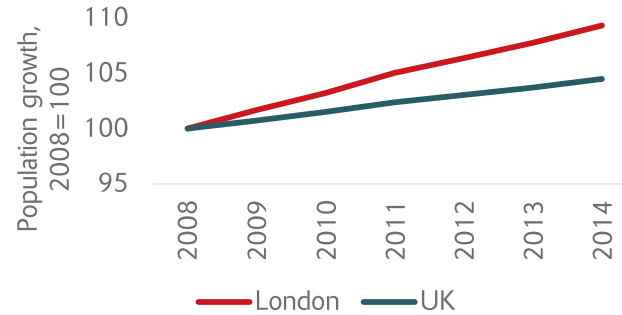
Heathrow Cargo Area

London's economy is growing faster than the UK



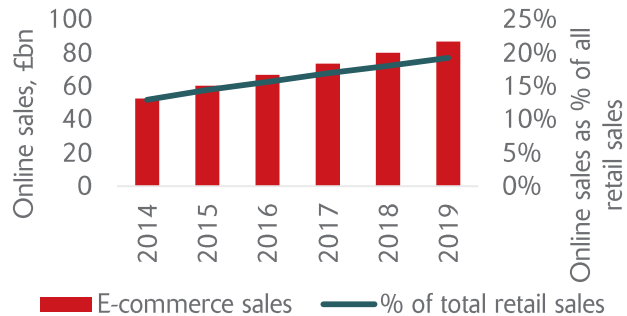
Source: ONS, GLA (Gross value add, 2008=100)

...as is its population



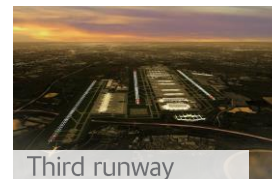
Source: ONS, GLA (2008=100)

Rapid growth of UK online retail sales continues

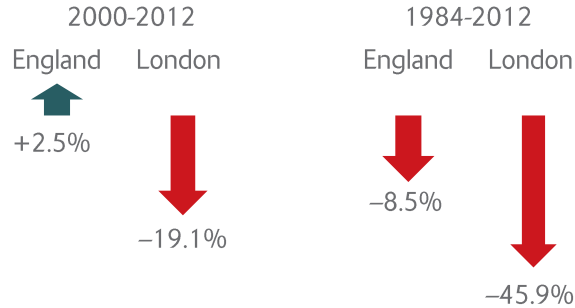


Source: eMarketer

Investment in London's infrastructure set to continue

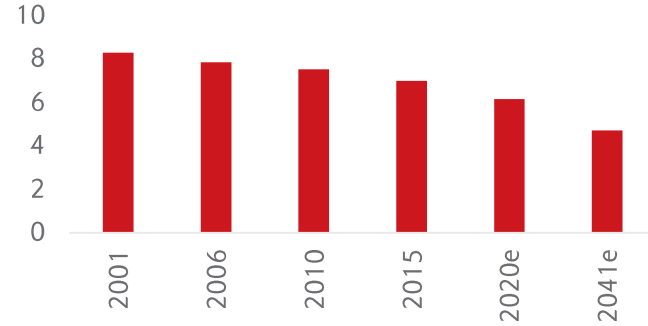


46% decline in London's industrial floorspace since 1984



Source: Deloitte/ONS

Industrial land expected to decline by a further 33% between 2015 and 2041



Source: GLA (Land zoned for industrial use, thousand hectares)

Decline driven by alternative uses of industrial land



Investment Case: Strong market position – high barriers to entry



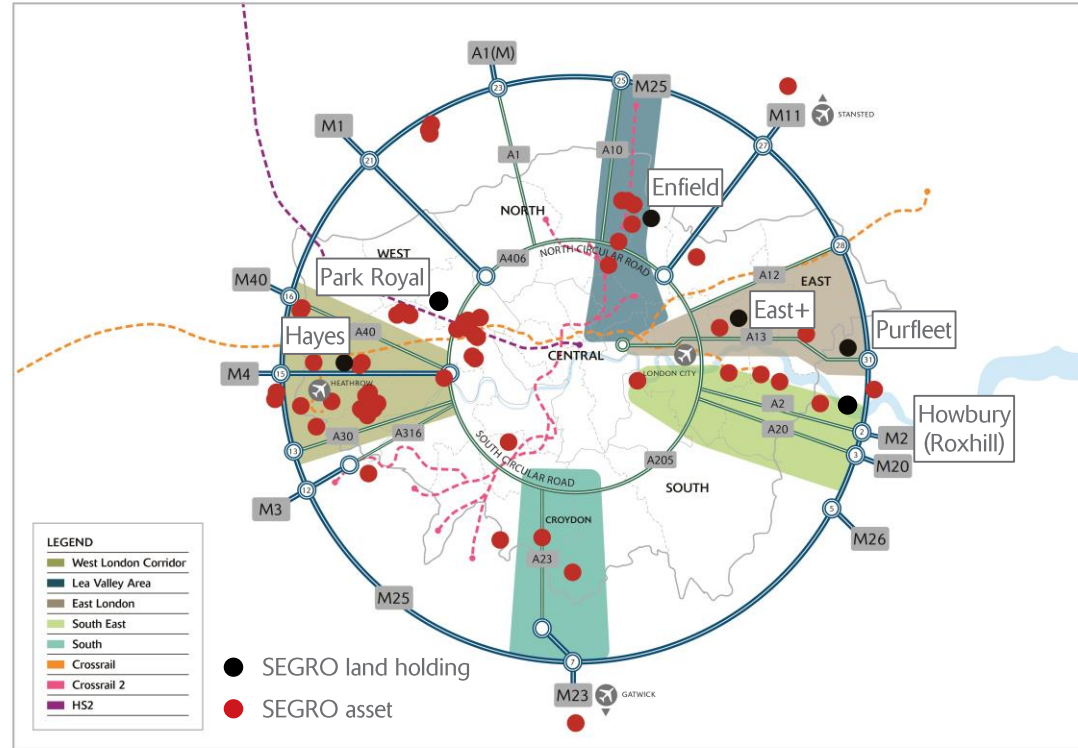
Investment Case: Strong market position – high barriers to entry

Park Royal Portfolio



- London's opportunity areas
- Where customers want or need to be
- Transport improvements

SEGRO's assets are concentrated in London's key redevelopment areas



Asset Management

- Capture reversionary potential in portfolio
- Drive rental growth
- Increase longevity of rental income
- Reduce voids through letting speculatively developed space

Development

- Pursue development and redevelopment opportunities
- Seek to intensify land use

Asset recycling

- Sell mature assets to realise gains and generate funds for development
- Crystallise planning gain on sites with change of use potential e.g. Hayes

Greenford Park, Park Royal



- 855,000 sq ft multi-let estate
- £7.8 million rent roll
- Key occupiers:
 - Sainsbury's
 - Brompton Bicycles
 - Sotheby's

Prime location for London distribution with a mix of small and larger units

X2, Heathrow



- London's first purpose-built multi-storey warehouse – 234,000 sq ft
- £2.0 million rent roll
- Key occupiers:
 - CHEP Aerospace
 - Freightnet Handling

Empty on acquisition in 2009; now one unit left which is under offer

Axis Park, Heathrow



- 666,000 sq ft estate over 7 units
- £7.5 million rent roll
- Key occupiers:
 - Royal Mail
 - Smiths News

Prime site adjacent to Heathrow; bought out of Heathrow Big Box JV

DHL, Poyle (Heathrow)



- Former secondary, multi-let estate demolished
- Replaced with 150,000 sq ft single-let HQ building and cross-dock warehouse

Prime site adjacent to Heathrow;
7.3% yield on total development cost

Origin (Park Royal)



- Former Guinness brewery site
- 365,000 sq ft development – 70% speculative
- 72% pre-let prior to completion

Primarily speculative development;
7.5% yield on total development cost

Westway (Park Royal)



- Estate dates back to 1930s with elements of 1980s buildings
- 47,000 sq ft new development over 6 units
- 5 let prior to completion at 15-20% ahead of appraised rents

Regenerating an older estate;
8.3% yield on total development cost

Former Nestlé factory, Hayes



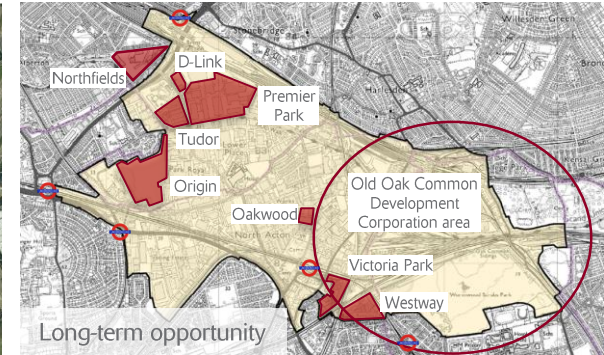
- Acquired in January 2015 at industrial land value
- Mixed-use masterplan developed in consultation with local authorities
- Sale of residential land to Barratt conditional on planning permission

Northfields Industrial Estate



- Secondary estate
- Adjacent to London's inner ring road and Underground station
- Primarily residential area and now part of wider GLA housing zone
- Short-term, flexible leases to allow quick vacation

Old Oak Common



- Long-term development potential in Old Oak Common Opportunity Area
- OPDC¹ is the UK's largest ever regeneration project
- Only interchange for Crossrail and HS2

¹ Old Oak Common and Park Royal Development Commission

Polar Park (Heathrow)



Fairway (Heathrow)



Ventura Park (Radlett)



- Good secondary industrial estates in London
- Take advantage of strong investor demand to dispose of non-strategic assets
- Used as currency to encourage swaps – mainly for modern, single-let warehouses
- Recycle capital into acquisitions and new development

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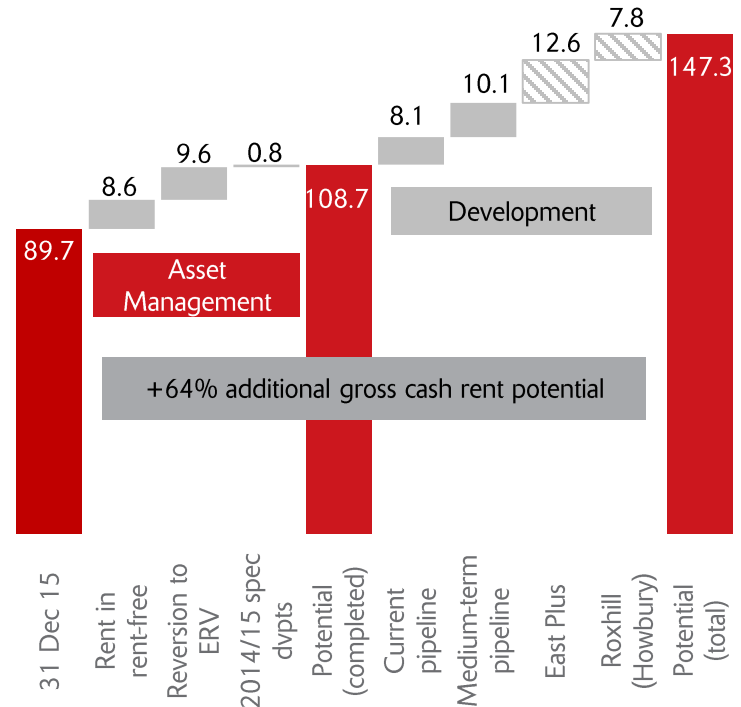
Asset recycling

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Conclusion – Significant rent roll growth potential

- £38m potential rent from London development – including land under option
- £540m of potential future capex, including estimated capex for land held under option
- Average 7.1% yield on development cost
- Roxhill site in South-East London (Howbury) and East Plus sites are under option
- ...plus expected rental growth of 4-5% pa

Annualised London gross cash passing rent¹, £ millions



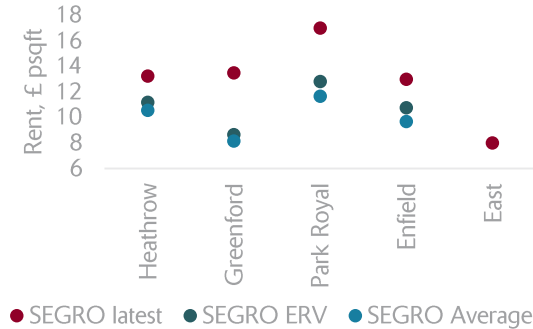
¹ At 31 December 2015, including JVs at share; excludes rental value of vacant properties of £8.3m and impact of funding requirements; Howbury development assumed to be held in joint venture.

Intensification of land use



- Building density is falling due to additional demand for yard space
- GLA and customers keen to see use of space intensified
- SEGRO investigating possible solutions

Rent potential



- Reversionary potential
- Latest lettings comfortably ahead of SEGRO average and ERV

Third Runway



- Airports Commission selected Heathrow for expansion
- Decision expected after EU referendum
- Doubling of cargo capacity

Heathrow includes SEGRO wholly-owned assets; Park Royal includes D-Link, Tudor, Oakwood, Premier Park and Origin; Greenford includes Fairways, Greenford Park, Metropolitan Park, Rockware Avenue.



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MARKET DRIVERS

KEVIN MOFID AND RICHARD SULLIVAN,
SAVILLS

5 MAY 2016