

16 October 2019

SEGRO plc

Trading Update

SEGRO plc (“SEGRO” or the “Group”) today publishes a trading update for the period from 1 July 2019 to 15 October 2019¹.

David Sleath, Chief Executive, said:

“The third quarter has seen another period of strong operational delivery from SEGRO. We have continued to secure high levels of new rental income both from our existing portfolio and from our active development programme, in which we have over 1 million sq m of new space under construction or in advanced discussions. During the period we also added further land and assets in our core urban markets, including in London and Paris to support further growth.

“SEGRO continues to benefit from the structural trends of urbanisation and technological revolution, and despite the uncertain macro-economic backdrop at this time, we head into the final part of the year with confidence. Looking ahead, the combination of new rental income from the development programme, compounded with the benefits of active asset management of our existing portfolio, should enable us to drive sustainable growth in both earnings and dividends.”

Active asset management and high occupier demand driving a strong operational performance (Appendix 1)

- We signed contracts worth £15.3 million (Q3 2018: £12.6 million) of new headline rent² during the third quarter, taking the total for the nine months to 30 September 2019 to £48.6 million (9M 2018: £52.0 million).
- Rent roll growth from existing space, net of take-backs was £2.1 million (Q3 2018: £5.5 million), taking the nine-month figure to £10.6 million (9M 2018: £6.9 million).
- We have continued to capture reversionary potential from our portfolio, with new headline rents on review and renewal approximately 20 per cent higher than previous passing rent in the nine months to 30 September 2019 (30 June 2019: 12.8 per cent), reflecting a strong contribution from the Slough Trading Estate and in our Greater London portfolio.
- So far in 2019 we have completed 765,900 sq m (9M 2018: 502,200 sq m) of new developments, capable of generating £33.7 million (9M 2018: £29.7 million) of headline rent, 88 percent of which has been leased. Developments capable of generating £15.1 million of headline rent are expected to complete in the fourth quarter, £12.7 million of which has been secured.
- The vacancy rate was stable at 4.9 per cent (30 June 2019: 4.8 per cent).

Continued momentum in the pre-let led development pipeline

- We signed £7.7 million (Q3 2018: £3.7 million) of new, unconditional pre-let agreements and lettings of speculative developments prior to completion. These included pre-lets to online food retailer Ocado in East London, home improvements retailer Leroy Merlin on the outskirts of Rome and consumer appliance retailer TERG in Wrocław, Poland.
- At 30 September 2019, 644,000 sq m of space was under construction, equating to potential future headline rent of £46 million (30 June 2019: 459,200 sq m, £36 million) of which 63 per

cent has been secured (30 June 2019: 65 per cent). Once complete and fully let, the pipeline is expected to generate a yield on total development cost of approximately 7 per cent.

- We remain on course to invest around £600 million in our development pipeline (including land, infrastructure and construction) in 2019 as a whole.

Finding opportunities to add to our portfolio and land bank in attractive markets (Appendices 2 and 3)

- During the third quarter we invested £78 million in urban warehouse asset acquisitions. Included in this were two off-market acquisitions in London, one in the East and the other in the South. We also made two further acquisitions in Lyon, helping us to build scale in this attractive, supply-constrained market.
- We also invested £77 million in our land bank during the period, helping to create development opportunities in the very attractive urban markets of London and Paris, including the acquisition of eight acres of land in Tottenham, North London, on which we expect to construct 19,000 sq m of urban warehousing. We also acquired fourteen acres of land for an urban warehousing project close to Ingolstadt in Southern Germany.
- Disposals during the quarter at £16 million were modest. They included land and assets in Gdansk, a market we have now exited, allowing us to focus on building scale in other Polish markets such as the key logistics hub of Wrocław, where a number of recent investments have been made. So far in 2019 we have disposed of £122 million of assets and land (9M 2018: £192 million).

Balance sheet positioned to support further development-led growth

- Net debt (including our share of debt in joint ventures) at 30 September 2019 was £2.7 billion (30 June 2019: £2.4 billion), equating to a pro forma³ look-through LTV of 27 per cent (30 June 2019: 24 per cent).
- Approximately 36 per cent of the interim dividend was paid as scrip, resulting in the issue of 3.3 million new shares during the quarter. Earnings per share for 2019 are expected to be based on an average of 1,081 million shares.

Financial calendar

The 2019 full year results will be published on Friday 14 February 2020.

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 2019 unless otherwise indicated. The exchange rate applied is €1.13:£1 as at 30 September 2019.

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 2019, 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 2019	Q3 2018	9M 2019	9M 2018
Take-up of existing space (A)	£m	2.8	4.2	9.5	10.1
Space returned ² (B)	£m	(4.2)	(2.7)	(8.4)	(9.5)
NET ABSORPTION OF EXISTING SPACE (A-B)	£m	(1.4)	1.5	1.1	0.6
Other rental movements (rent reviews, renewals, indexation) (C)	£m	3.5	4.0	9.5	6.3
RENT ROLL GROWTH FROM EXISTING SPACE	£m	2.1	5.5	10.6	6.9
Take-up of developments completed in the period – pre-let space (D)	£m	1.7	8.5	25.7	20.3
Take-up of speculative developments completed in the past two years (E)	£m	2.2	0.7	8.3	4.0
TOTAL TAKE UP (A+C+D+E)	£m	10.2	17.4	53.0	40.7
Less take-up of pre-lets and speculative lettings signed in prior periods	£m	(2.6)	(8.5)	(27.3)	(22.5)
Pre-lets and lettings on speculative developments signed in the period for future delivery	£m	7.7	3.7	22.9	33.8
RENTAL INCOME CONTRACTED IN THE PERIOD²	£m	15.3	12.6	48.6	52.0
Take-back of space for redevelopment	£m	(0.3)	(0.1)	(0.3)	(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 2019

Asset location / type	Purchase price ¹ (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield ² (%)
UK: Urban warehouses	64.1	3.9	3.9
Continental Europe: Urban warehouses	13.4	5.7	5.7
UK: Land	37.0	n/a	n/a
Continental Europe: Land	39.6	n/a	n/a
Total acquisitions during the quarter	154.1	4.2³	4.2³

¹ Excluding acquisition costs; purchase price reflects exchange rate at 30 September 2019 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 2019

Asset location / type	Gross proceeds ¹ (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield ² (%)
Continental Europe: Big box warehouse	12.4	6.6	6.6
Continental Europe: Land	3.4	n/a	n/a
Total disposals during the quarter	15.8	6.6	6.6

¹ Proceeds reflect exchange rate at 30 September 2019 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 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 light industrial property. It owns or manages 7.8 million square metres of space (84 million square feet) valued at £11.7 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 eight other European countries.

See www.SEGRO.com for further information.