

SEGRO

# Introduction



**David Sleath**  
CEO, SEGRO

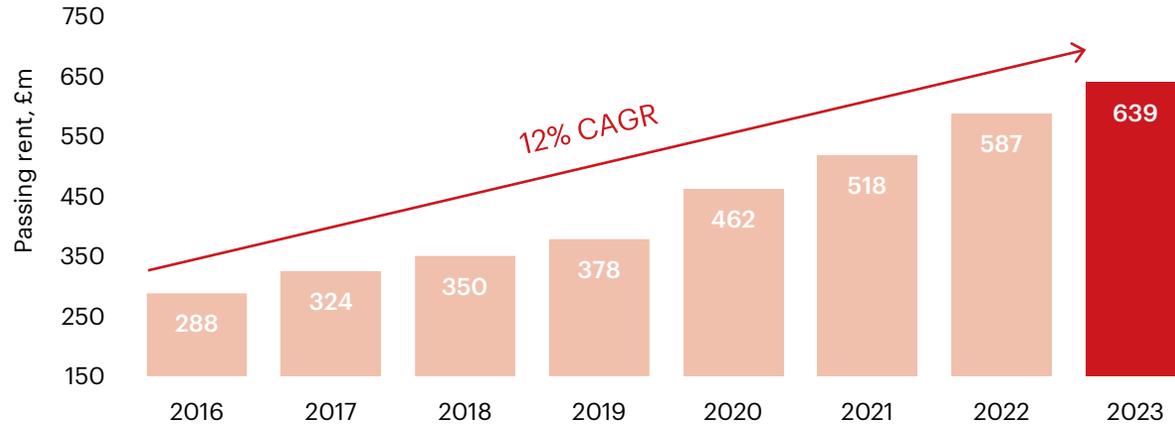


# SEGRO's clear and consistent strategy...

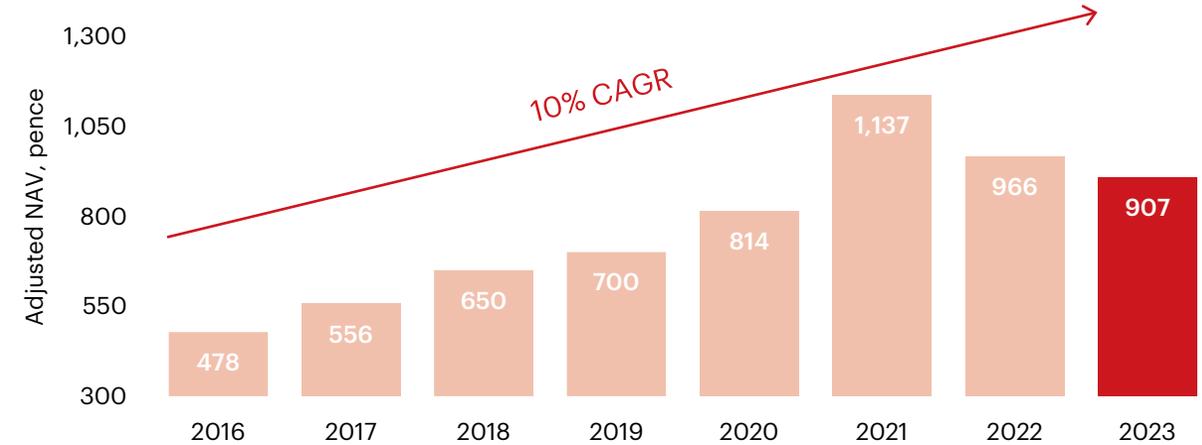


# ...has delivered attractive returns

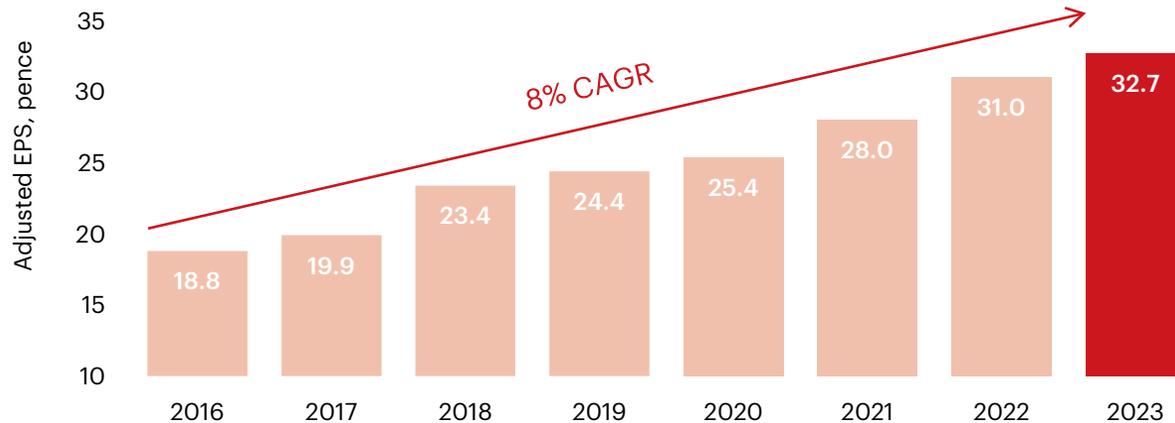
## Passing Rent



## Adjusted NAV<sup>1</sup> per share

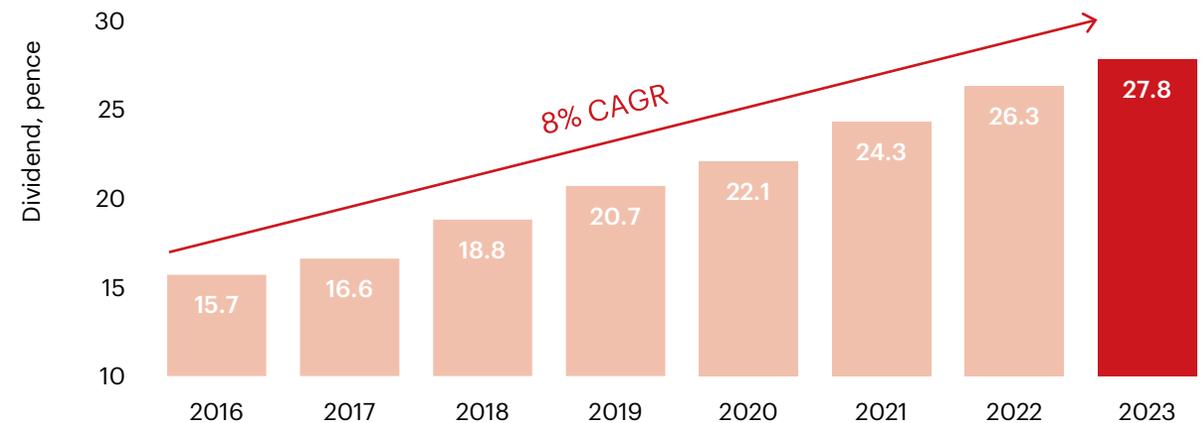


## Adjusted earnings per share



## Dividend per share

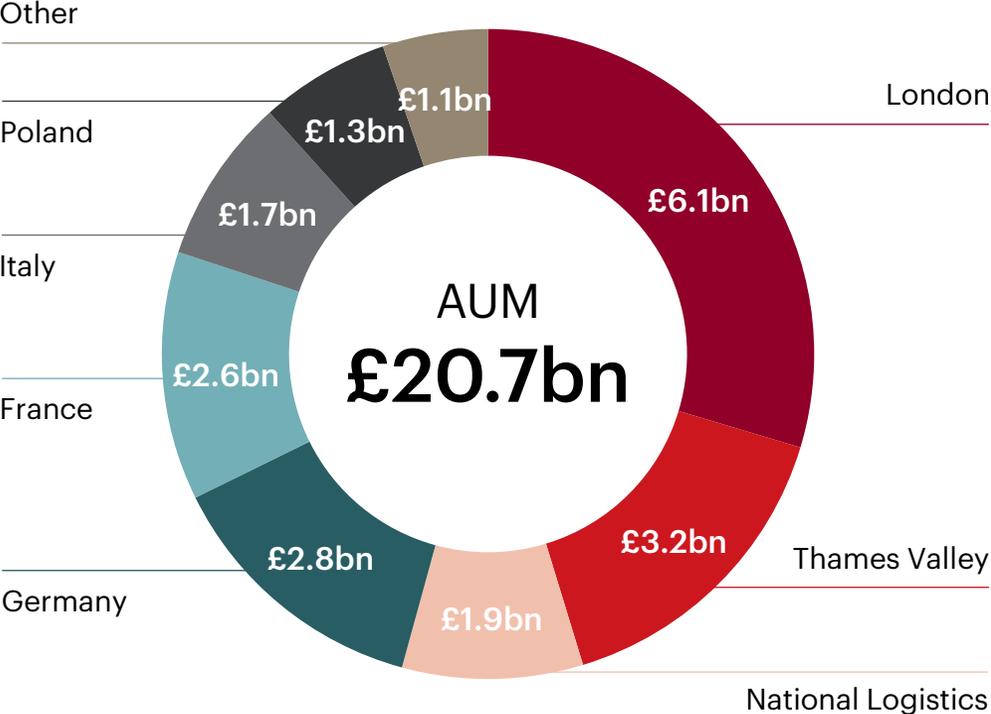
(Distribution policy of 85-95% of full year adjusted earnings)



1. Adjusted NAV is in line with EPRA NTA which was introduced 1 January 2020. The 31 December 2019 Adjusted NAV has been restated.

# Our irreplaceable portfolio of assets is two-thirds weighted to major urban markets

Portfolio split by geography and asset type  
(at 31 December 2023)



Completed assets, SEGRO share



# Our urban warehouse portfolio is exclusively focused on London and Europe's major cities

Urban portfolio split by geography (completed assets only)  
(at 31 December 2023)

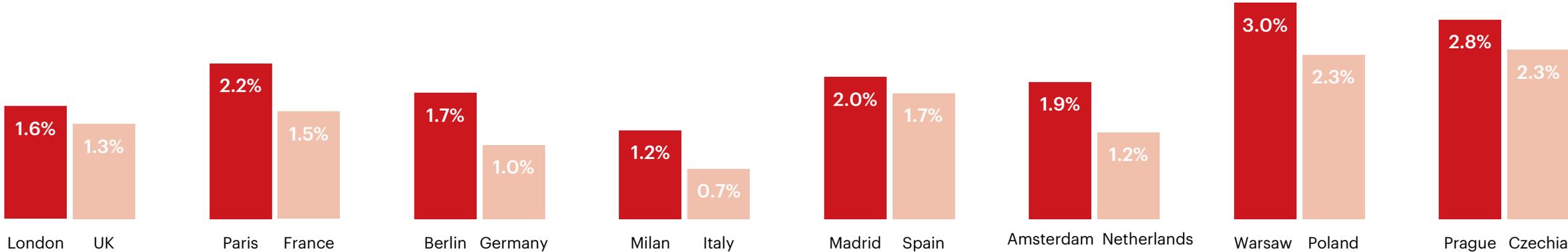


# Major cities benefit more from compelling structural tailwinds

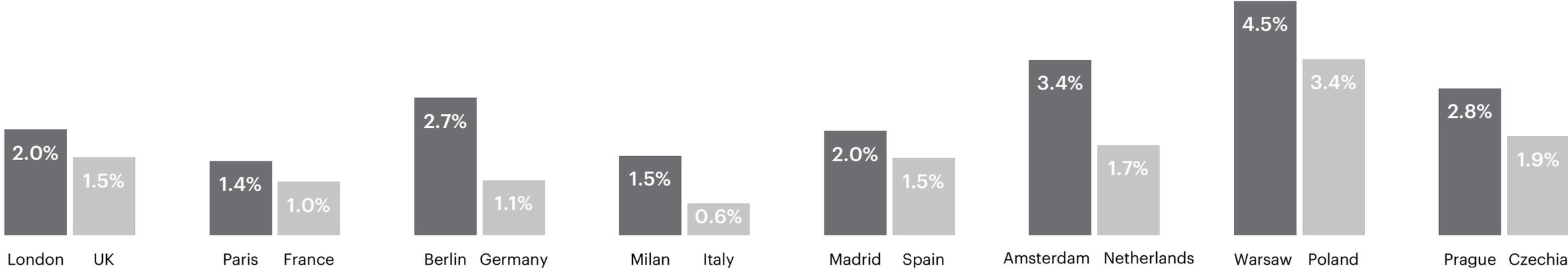


# European capital cities growing at a faster rate than their national averages

Forecast GDP growth % CAGR, 2023-28<sup>1</sup>

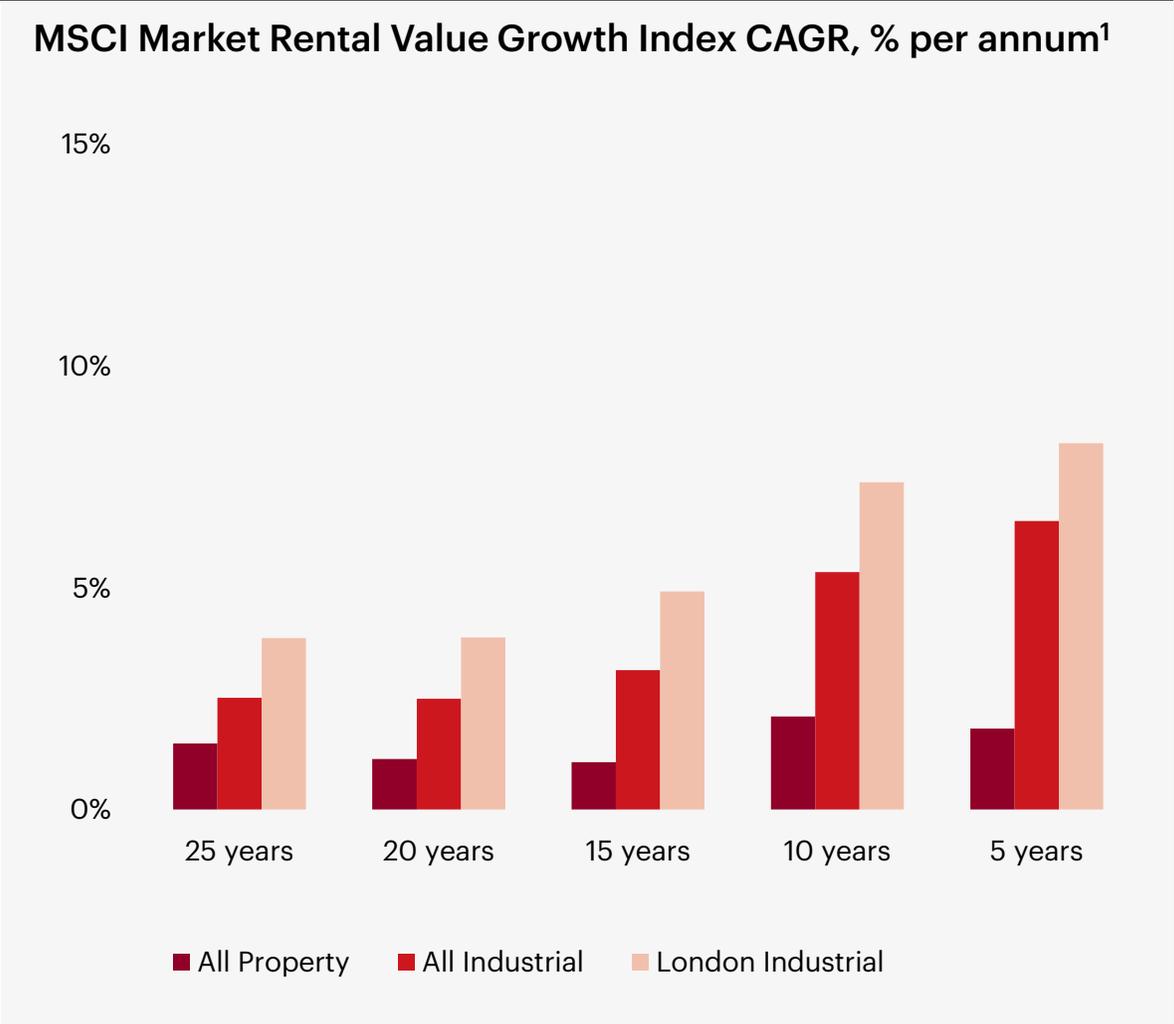
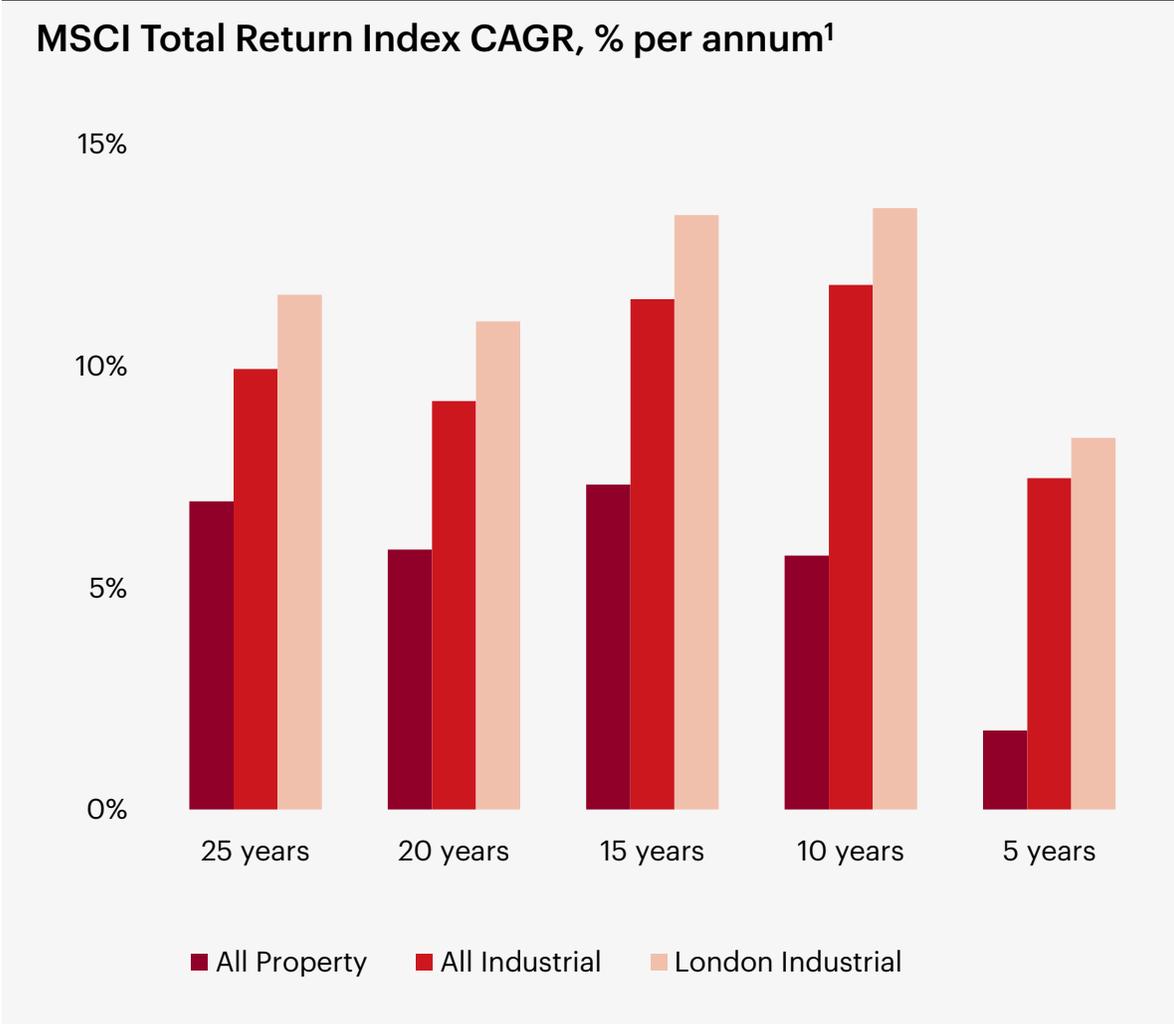


Historical GDP growth % CAGR, 2013-23<sup>1</sup>



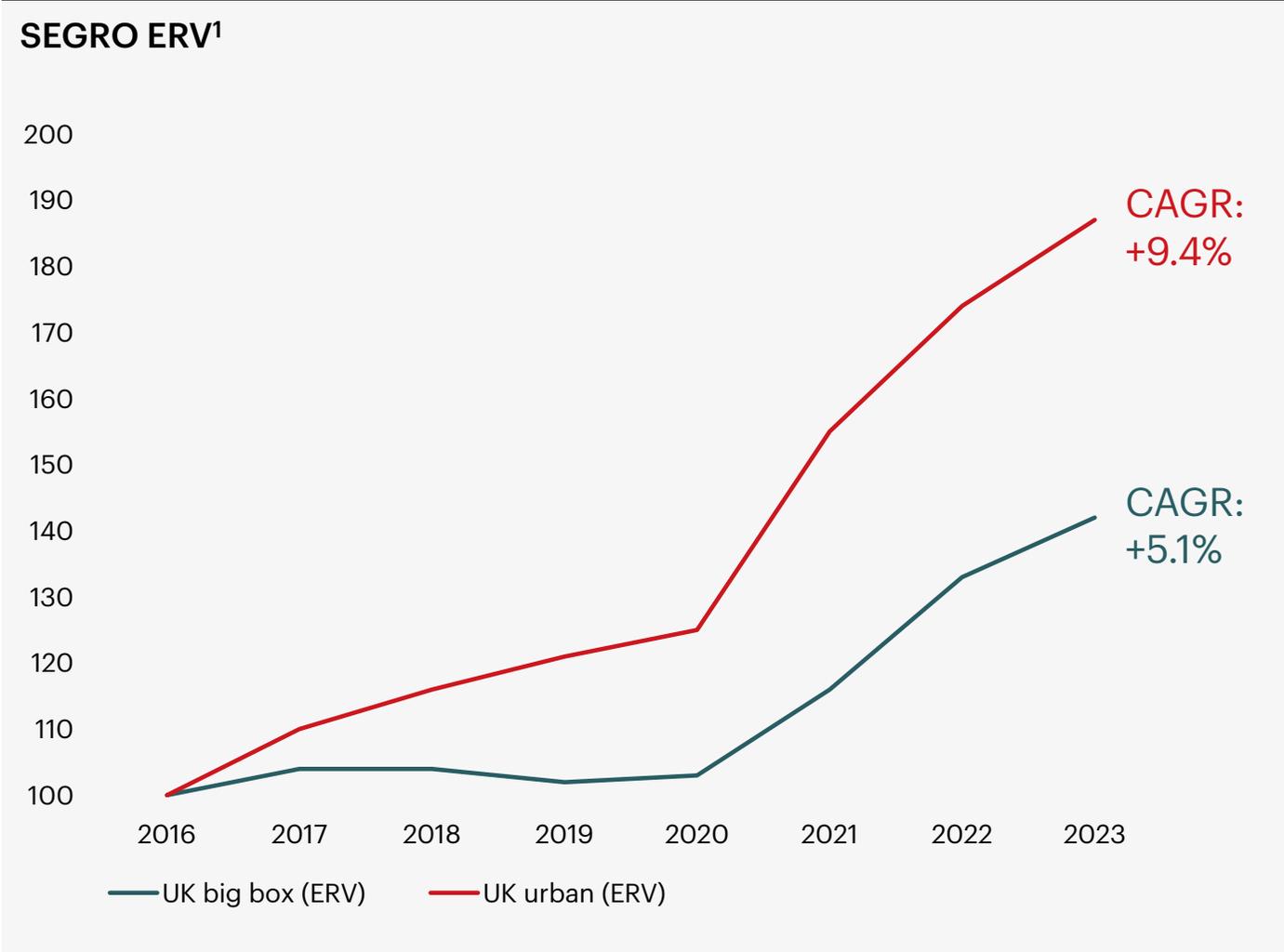
1. Source: Oxford Economics, 2015 constant prices and exchange rates.

# London has the most developed urban warehouse market and its returns have consistently outperformed other subsectors



1. Source: MSCI UK Monthly Index

# SEGRO's London-focused UK urban rental growth significantly outperforms Big Box Logistics



## Key drivers of urban outperformance:

- Stronger population and GDP growth in London and South East
- More diverse and dynamic business sectors, with higher value-added activities
- Greater level of digital maturity and e-commerce
- Tighter land availability and green belt restrictions
- Competing uses for brownfield land
- Dense urban centre of London with poor road access and heavy traffic congestion

1. Rebased to 100. UK urban portfolio comprises our assets in Greater London and Thames Valley. UK big box portfolio comprises our assets in National Logistics.

# Defining SEGRO's urban warehouse opportunity

Urban warehousing in major European cities is a unique asset class with different specific market characteristics and supply-demand dynamics which drive superior returns.

The customer base is diverse and deep, located in the major cities to be close to their own customers and skilled workforce, and values the prime locations and specifications of SEGRO's portfolio to ensure the success of their business.

SEGRO is uniquely positioned with its irreplaceable portfolio of urban assets in Europe's largest cities, managed by a market-leading operating platform to deliver profitable growth in its urban portfolio.



# Defining the urban warehouse opportunity



## Session One

- | Defining the market
- | SEGRO's urban strategy

## Session Two

- | Defining the customer base

## Session Three

- | Defining the data centre opportunity
- | Defining the importance of urban warehousing to growing cities

**SEGRO**

# Defining the market



**Jon Sleeman & Tessa English**  
Industrial & Logistics, JLL

# Defining Urban Warehousing

An industrial property market presentation on Greater London

June 2024

 **JLL** SEE A BRIGHTER WAY



# Introduction

**In our report we:**

- **define and segment London's urban warehouse market;**
- **assess the investment opportunity of urban warehousing in London.**

**This presentation focuses on our 10 key takeaways.**



**Tessa English**

Head of Urban & City Logistics



**Jon Sleeman**

Director –  
UK Industrial & Logistics Research

# 10 key takeaways

- 1** Urban warehousing is a distinct segment of the industrial sector.
- 2** Prime industrial and warehouse buildings are defined by having a strong macro and micro location and a building specification that meets current occupier demand.
- 3** There is an emerging class of ‘super prime’ industrial assets that are situated in prime locations and incorporate best in class building specifications, best in class ESG and technology features.
- 4** Significant changes in the UK economy and society over the past 20 to 25 years have elevated the need for urban warehouse space.
- 5** Greater London is at the heart of a wider economic ‘super-region’ extending into the South East and Eastern regions and it is both a capital and global city.

- 6** London’s urban warehouse stock is occupied by a wide variety of businesses which contribute directly to London’s GVA and jobs and support the wider functioning of the London economy.
- 7** London’s stock of industrial land is diminishing.
- 8** London delivered superior industrial rental growth compared with all other UK regions over the long-term 2000 to 2023, however this growth was exceeded by the growth in London’s nominal Gross Value Added.
- 9** Given that London’s GVA is forecast to grow stronger than the UK and given the competition for land in London, we think long-term industrial rental growth in London will exceed the UK rate, as it has done in the past.
- 10** Prime urban warehousing in London presents a resilient and robust investment opportunity.

# Defining Urban Warehousing in London



# 1 Urban warehousing is a distinct segment of the industrial sector







# Prime buildings

- Prime buildings are competitive with new buildings in terms of their specification and meet current occupier requirements.
- The key requirements of occupiers vary between building size and type.
- We believe buildings with features comparable with new and which remain attractive in the market today emerged from c 2000 (e.g. Premier Park, Park Royal).
- Changes since 2000 include more height, more yard space + ESG.



# Quantifying the quadrants

	Prime	Secondary (building)	Secondary (location)	Tertiary
<b>Total Stock</b> End 2023	40.5 million sq ft	73.6 million sq ft	11.5 million sq ft	78.3 million sq ft
<b>Leasing Activity</b> Total 2009-2023	27.0 million sq ft	45.1 million sq ft	5.7 million sq ft	30.8 million sq ft
<b>Availability</b> End 2023	2.4 million sq ft	4.3 million sq ft	0.8 million sq ft	3.3 million sq ft
<b>Yields</b> June 2024	4.75%	5.25%–5.50%	5.25%–5.50%	5.75%+

Sources: CoStar for stock, leasing activity and availability, JLL for yields.

Availability excludes buildings completed since the start of 2023 to allow for a 12 month void period on completion.

### 3 There is an emerging class of 'super prime' industrial assets

These incorporate best in class specification, ESG and 'tech'



**SEGRO Park, Tottenham**



**PR1, Park Royal**



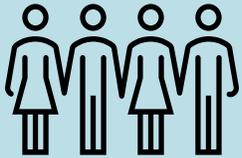
**PR2, Park Royal**

# Assessing the investment opportunity



# 4 UK-wide changes have elevated the need for urban warehousing

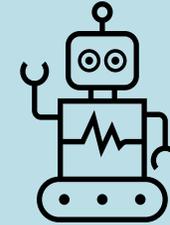
London has been at the forefront of these changes



Population  
growth



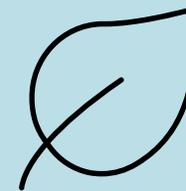
Consumer  
revolution



Technological  
change



Economic  
restructuring



Sustainability  
& ESG

# 5 London is an economic super-region and a capital and global city

**1st**

London ranks first in Europe and 5th globally in JLL's 'Innovation Geographies 2024' research.

**1st**

EY's latest European Attractiveness Survey showed Greater London regained the top spot in Europe for FDI projects.

**1st**

London's consumer spending in 2022 was by far the largest in Europe, according to Oxford Economics.

**1st**

London ranks first in the Human Capital category and 2nd overall in Oxford Economics Global Cities Index 2024.

**1st**

ESE's global Cities in Motion Index 2024, ranking smart and sustainable cities.

**1st**

London was the global leader for cross-border real estate investment purchases in the three years to Q1 2024, according to JLL.

**1st**

London Heathrow Airport is the world's most connected airport according to OAG's Megahubs 2023 report.

**1st**

London consistently ranks first in JLL's City level Global Real Estate Transparency Index.

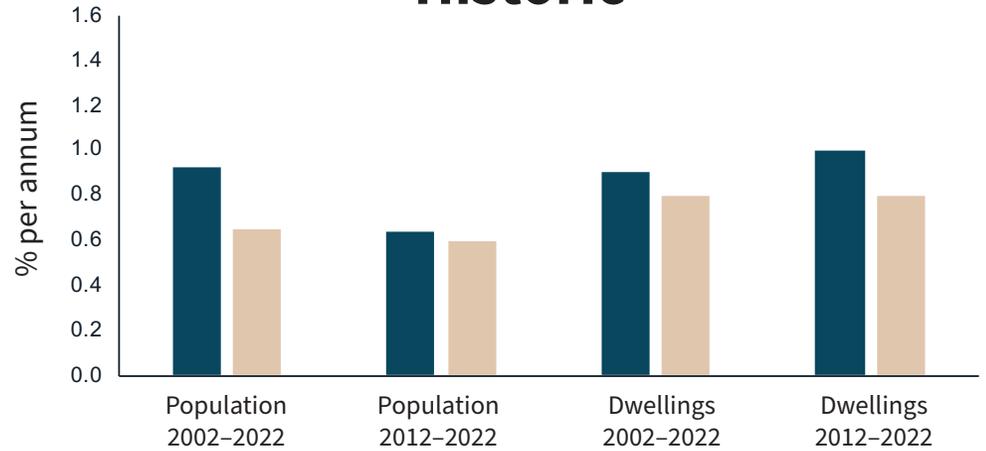
**1st**

London has more universities in the Times Higher Education World University Rankings Top 50 than any other city.

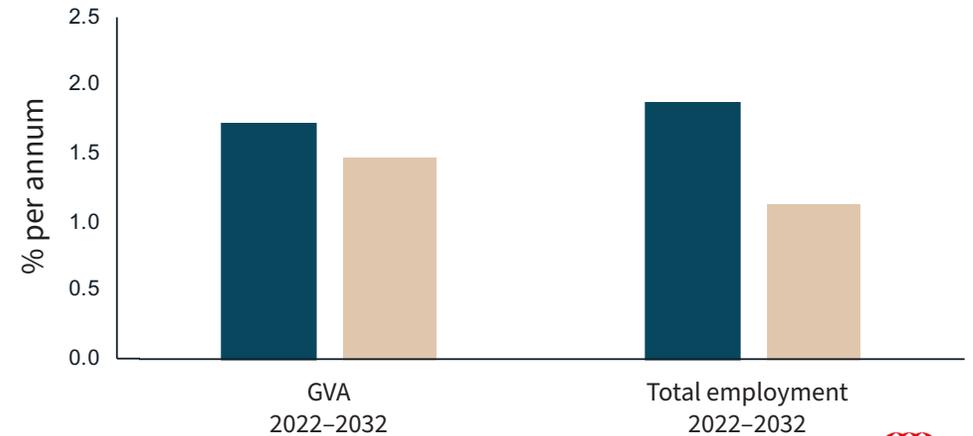
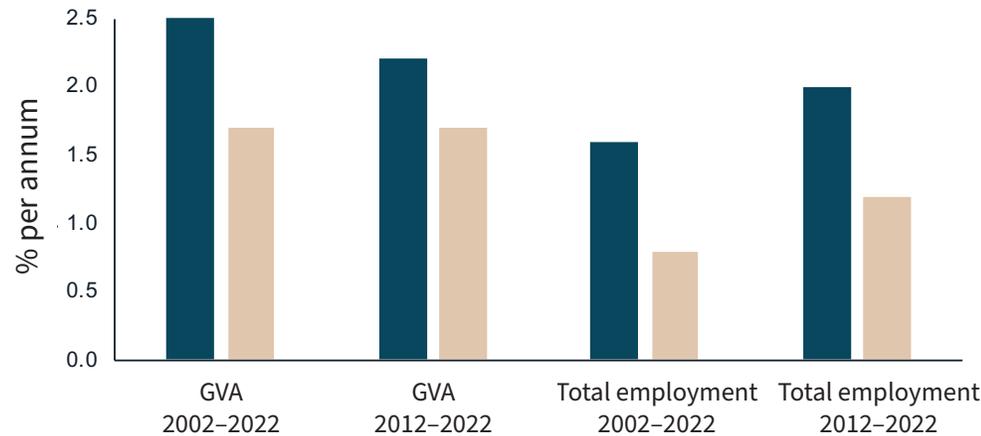
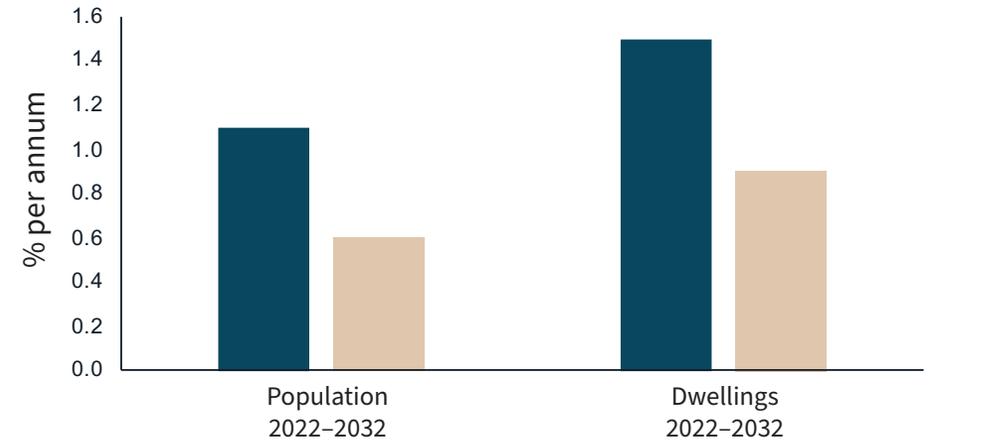
# London's economy has grown strongly and is forecast to grow faster than the UK



## Historic



## Forecast



# 6 London's urban warehouse stock is occupied by a wide variety of businesses

**122,000**  
**'local units' across**  
**total London**  
**industrial market at**  
**2023**



**82,000 'local units' in London focused on prime**



**2,100**  
**Food and drink**  
**manufacturers**



**9,400**  
**Value-added logistics**  
**and warehousing**



**5,600**  
**Express and e-commerce**



**49,000**  
**Wholesale including**  
**building and construction**  
**supply**

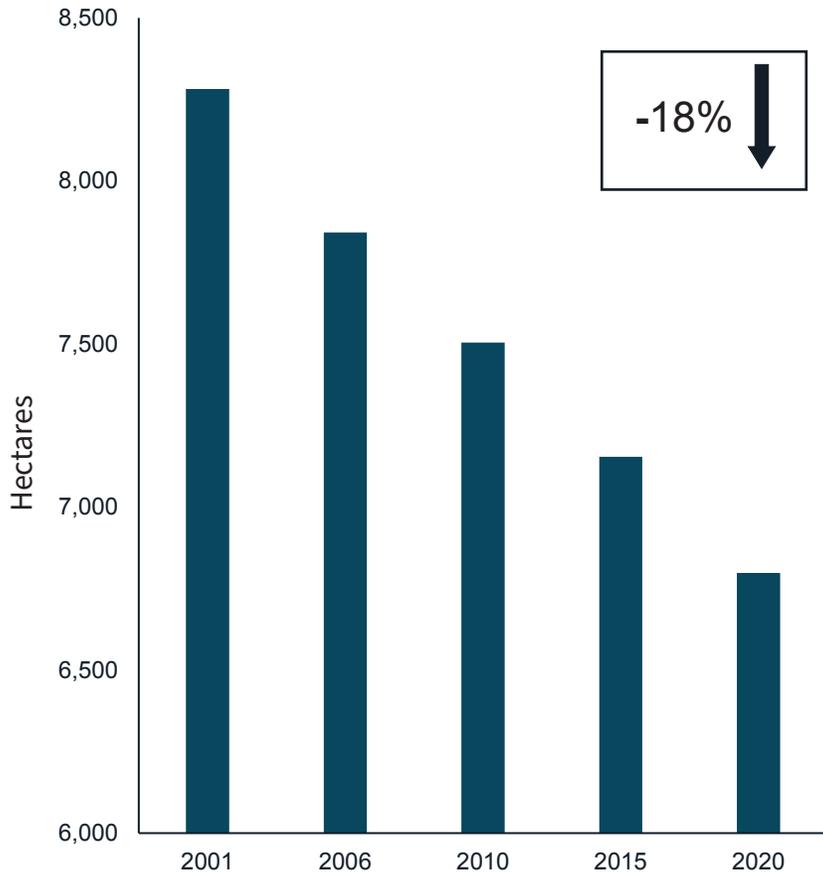


**16,200**  
**Film and media**  
**production**

Source: ONS Business count data, local units

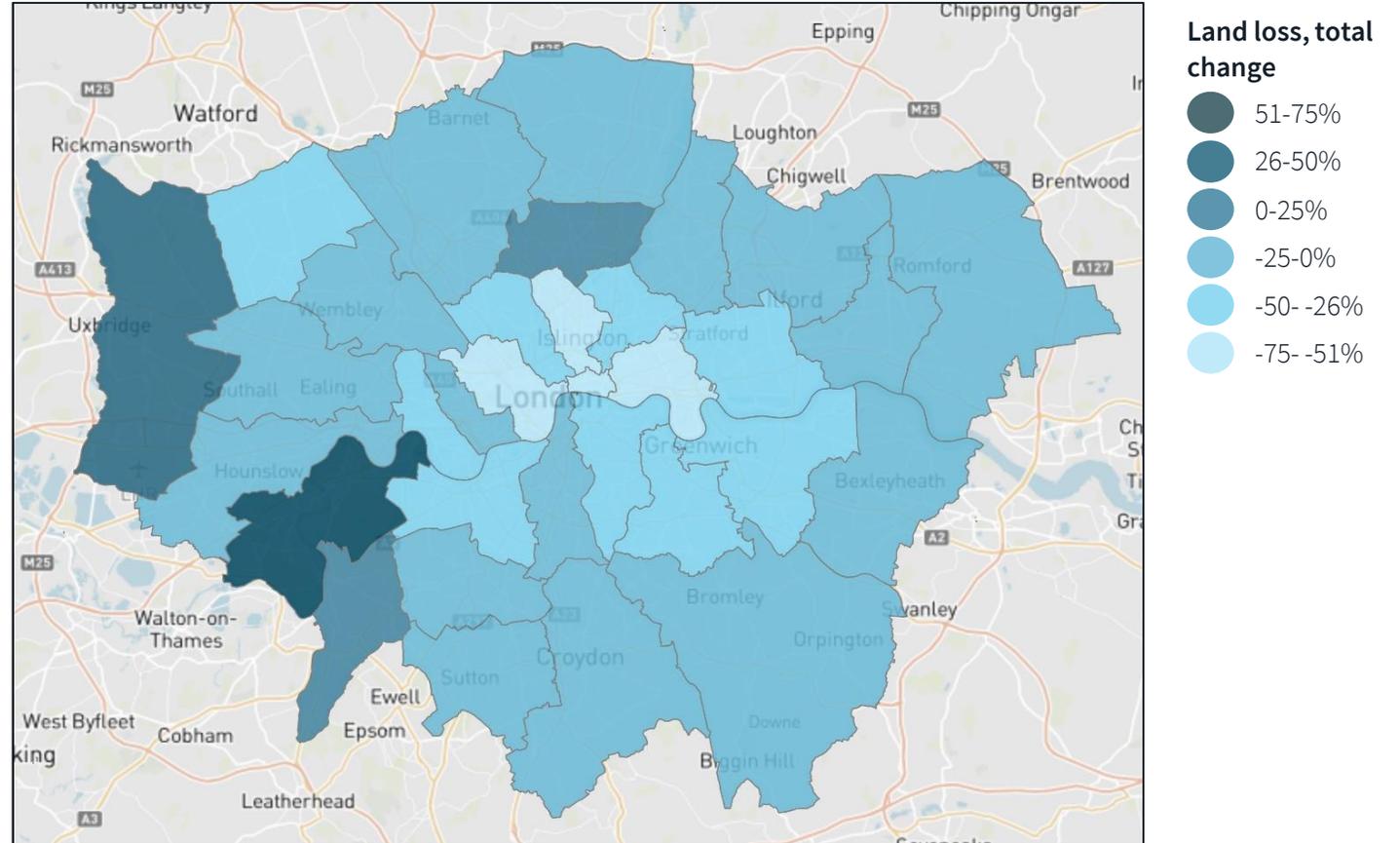
# 7 London's stock of industrial land is diminishing

Stock of industrial land in London, 2001–2020



Source: AECOM/GLA

The loss of industrial land in London, 2001–2020, by borough



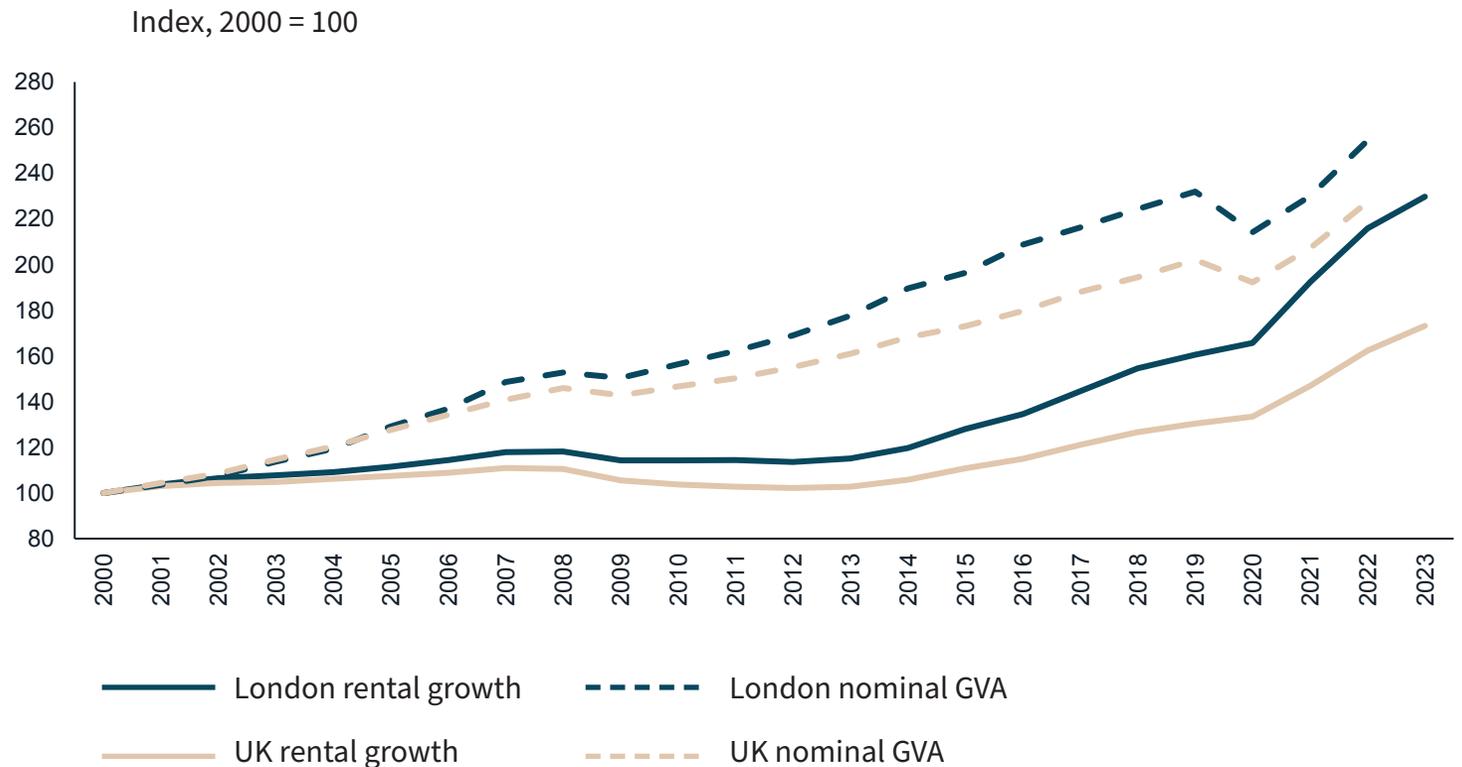
Source: AECOM/GLA

# 8 London has delivered superior rental growth vs UK

## But the growth in rents has been exceeded by nominal GVA growth

- Between 2000 and 2023 industrial rents in London increased by 3.7% p.a. compared with 2.4% for the UK.
- Over the past five years growth jumped to 8.3% p.a. compared with 6.5% for the UK.
- London's rental growth was stronger than any other region over these periods.
- However, nominal GVA growth (a good proxy for aggregate turnover) exceeded rental growth.
- This implies rents remain affordable.

### Industrial rental growth compared with nominal GVA growth

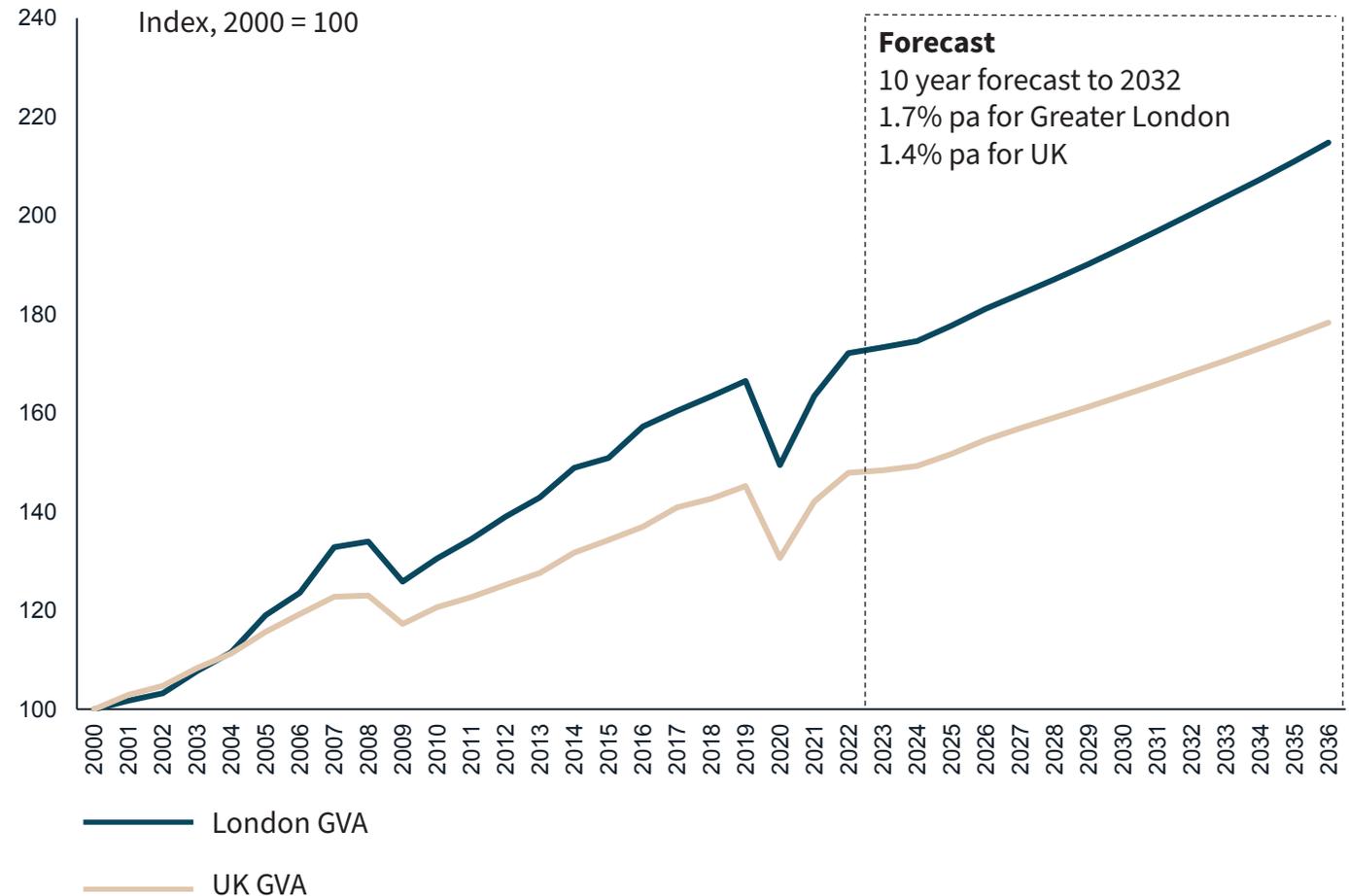


Source: MSCI, ONS

# 9 London will deliver superior industrial rental growth

- Forecasts from Oxford Economics indicate that London will grow more strongly than the UK over 10 years in terms of:
  - Population
  - Dwellings
  - Employment
  - GVA.
- This will drive occupier demand.
- Over the same period, London's stock of industrial land is likely to decline further.

### London vs UK GVA



Source: ONS / Oxford Economics

# 10 Prime urban warehousing in London presents a resilient and robust investment opportunity

- Elevated need for warehouse space
- London is a UK super-region and a capital and global city
- Large and varied base of occupiers
- Diminishing stock of industrial land
- Proven rental growth outperformance
- Forecast rental growth outperformance

	Short-term	Medium / long-term
Occupational demand	Normalisation following Covid surge	Stronger
Available supply	Higher short-term vacancy	Diminishing land supply
Rental growth	Moderating	Above UK trend

**Prime urban warehousing in London presents a resilient and robust investment opportunity.** Investors that own assets in the prime geographies are well placed to serve this market and enjoy the medium and long-term growth potential it offers.

# 10 key takeaways

- 1** Urban warehousing is a distinct segment of the industrial sector.
- 2** Prime industrial and warehouse buildings are defined by having a strong macro and micro location and a building specification that meets current occupier demand.
- 3** There is an emerging class of ‘super prime’ industrial assets that are situated in prime locations and incorporate best in class building specifications, best in class ESG and technology features.
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# Thank you

## **Jon Sleeman**

Director –  
UK Industrial & Logistics Research

## **Tessa English**

Head of Urban & City Logistics

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**SEGRO**

# SEGRO's urban strategy



**James Craddock**

Managing Director UK, SEGRO

**Marco Simonetti**

Managing Director Continental Europe, SEGRO



**DEFINING THE URBAN  
WAREHOUSE OPPORTUNITY**  
Investor & Analyst Day



# Our UK urban strategy



**James Craddock**  
Managing Director UK, SEGRO



# Major cities benefit more from compelling structural tailwinds



Growing population and changing demographics

High levels of business activity

Restricted/shrinking land supply

Old road networks and traffic congestion

# Our strategy to drive superior returns from our urban portfolio



An **irreplaceable** portfolio managed by a **market-leading operating platform**.



**Active asset management** to build customer engagement and grow rent roll.



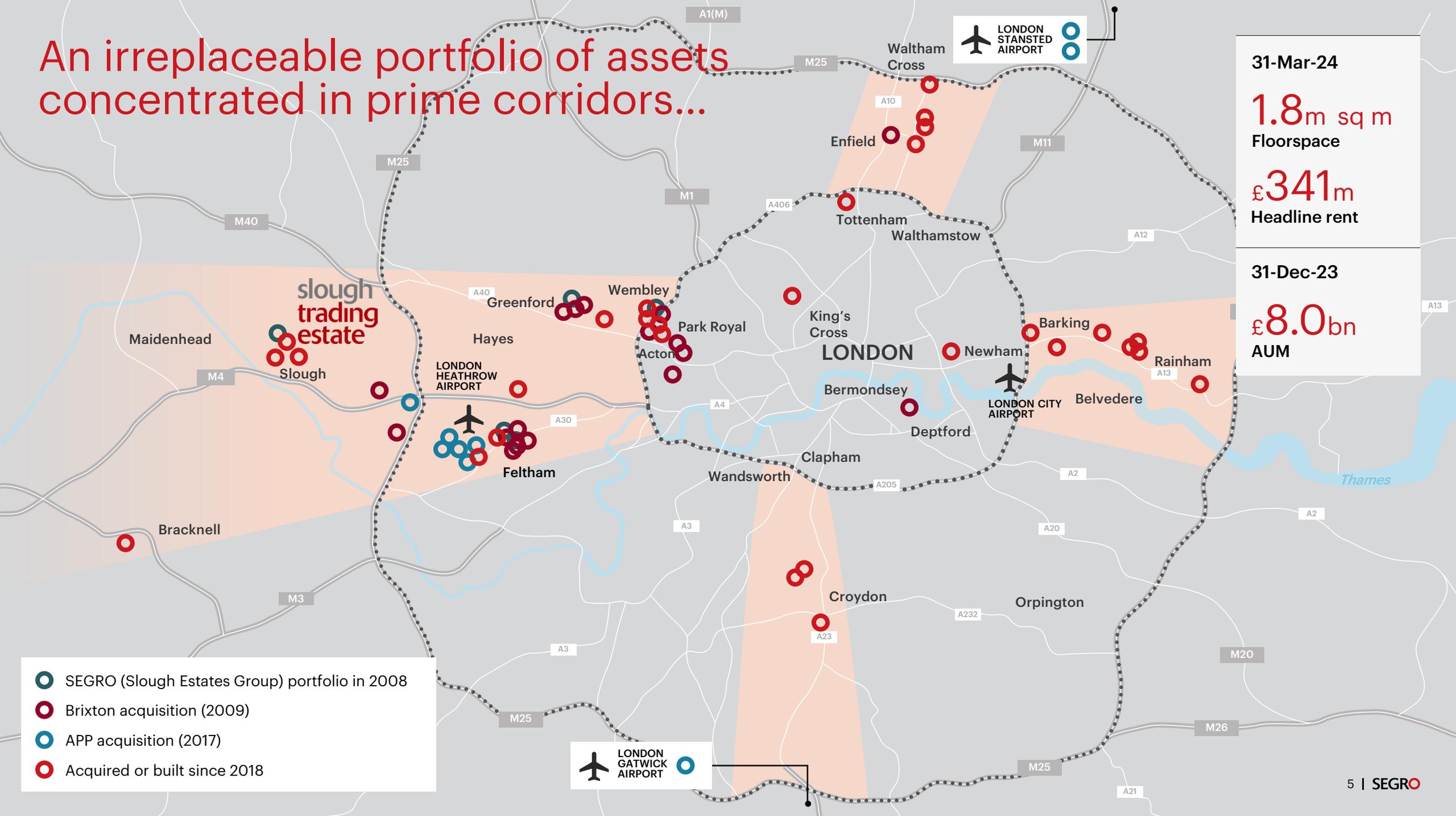
**Refurbishment and redevelopment** is delivering new space at top rents.



Additional opportunity from our **well-located landbank**.



# An irreplaceable portfolio of assets concentrated in prime corridors...



- SEGRO (Slough Estates Group) portfolio in 2008
- Brixton acquisition (2009)
- APP acquisition (2017)
- Acquired or built since 2018

# ... and built to the highest specification



# Creating value through active asset management

- Create long-term plans for each asset which are updated annually.
- Strategy will depend on the age or specification of the estate and units within it.
- Lease events as opportunities to create value.
- Execution may result in periods of increased vacancy within specific pockets of portfolio.

## Determining the best approach for each asset



Progress rents and capture reversion



Refurbish



Redevelop/Recycle



# Driving the best returns from our prime assets...



Modern estates with the highest specification space, focus on driving the best returns.

## Strategy:

- Use lease events to progress rents and capture reversion.
- Build customer relationships and insights to create additional opportunities for growth.
- Help customers to reduce their operating carbon emissions.

## Capital requirement:

- Little to none.

# 137

Lease events signed in 2023<sup>1</sup>

# 40%

Uplift on rent reviews and renewals in 2023<sup>1</sup>

# £95m

Reversionary potential<sup>2</sup>

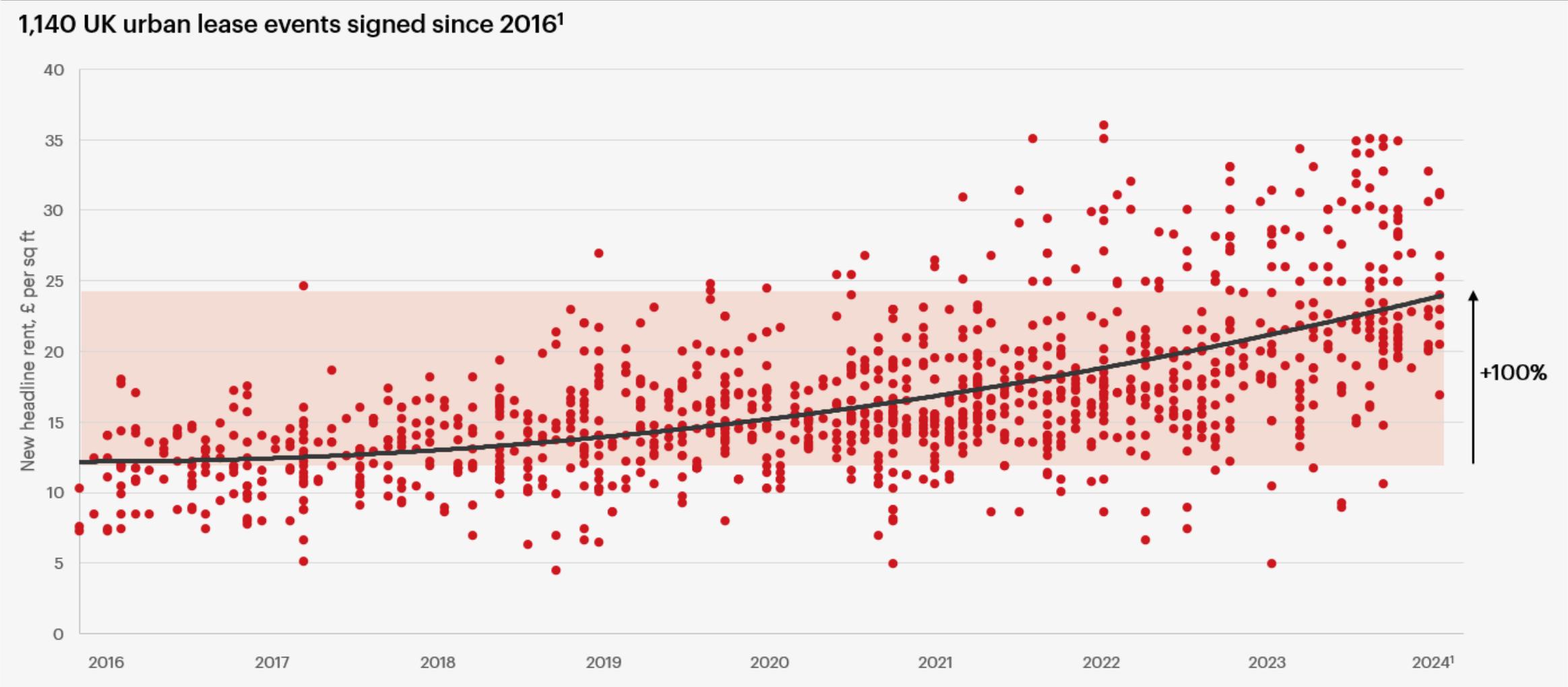


SEGRO Park Tottenham

1. UK urban. Lease events include reviews, renewals and regears.

2. Reversion is the difference between contracted headline rent and ERV. Headline rent as at 31 March 2024 and ERV based on 31 December 2023 valuations.

# ... and consistently growing rents

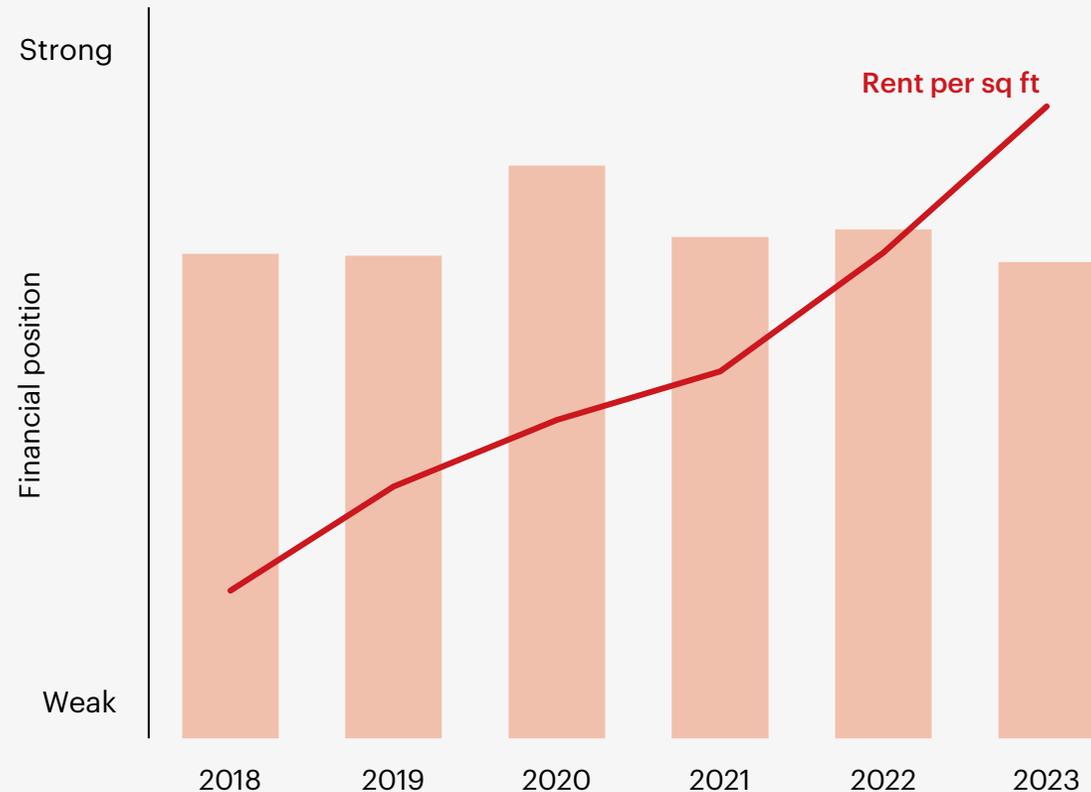


1. Each dot represents new £ headline rent per sq ft, at a lease event. Black line represents regression line of best fit. 2024 data is up until 31 March 2024.

# Financial position of our customers has kept pace with growing rents



London customer financial position vs rent per sq ft<sup>1</sup>



- We analyse every customer's financial position prior to signing any new lease, including:
  - Occupancy costs (over the term of the lease) versus revenue and net assets
  - Financial leverage
- Financial position and ability to service occupancy costs have remained very consistent despite the significant rental growth

1. Financial position is based on SEGRO analysis of customer financial information

# Repositioning assets through refurbishment



Well configured and located estates with older assets that would benefit from modernisation, also includes wider estate improvements.

## Strategy:

- Use lease events as an opportunity to takeback units.
- Refurbish to high sustainability standards and capture super-prime rents.

## Capital requirement:

- Anticipate spending £40 million per annum<sup>1</sup> on building and estate refurbishment.



1. 0.5% of UK urban portfolio value.

# Delivering new super-prime space through redevelopment



Opportunities to redevelop older but well-located assets into new, high-value, modern space (including data centres).

## Strategy:

- Asset management to achieve vacant possession and bring forward for phased redevelopment or sale.
- Carefully consider use of materials to reduce embodied carbon.

## Capital requirement:

- Targeting same returns as a new development (6-8% typical development yield, higher for data centres).



# Case study: Creating value at Premier Park

41%

Average uplift on rent reviews and renewals (2019-2024)

STUDIOS

DHL

Royal Mail IHSS

NEXT

BAKKAVÖR

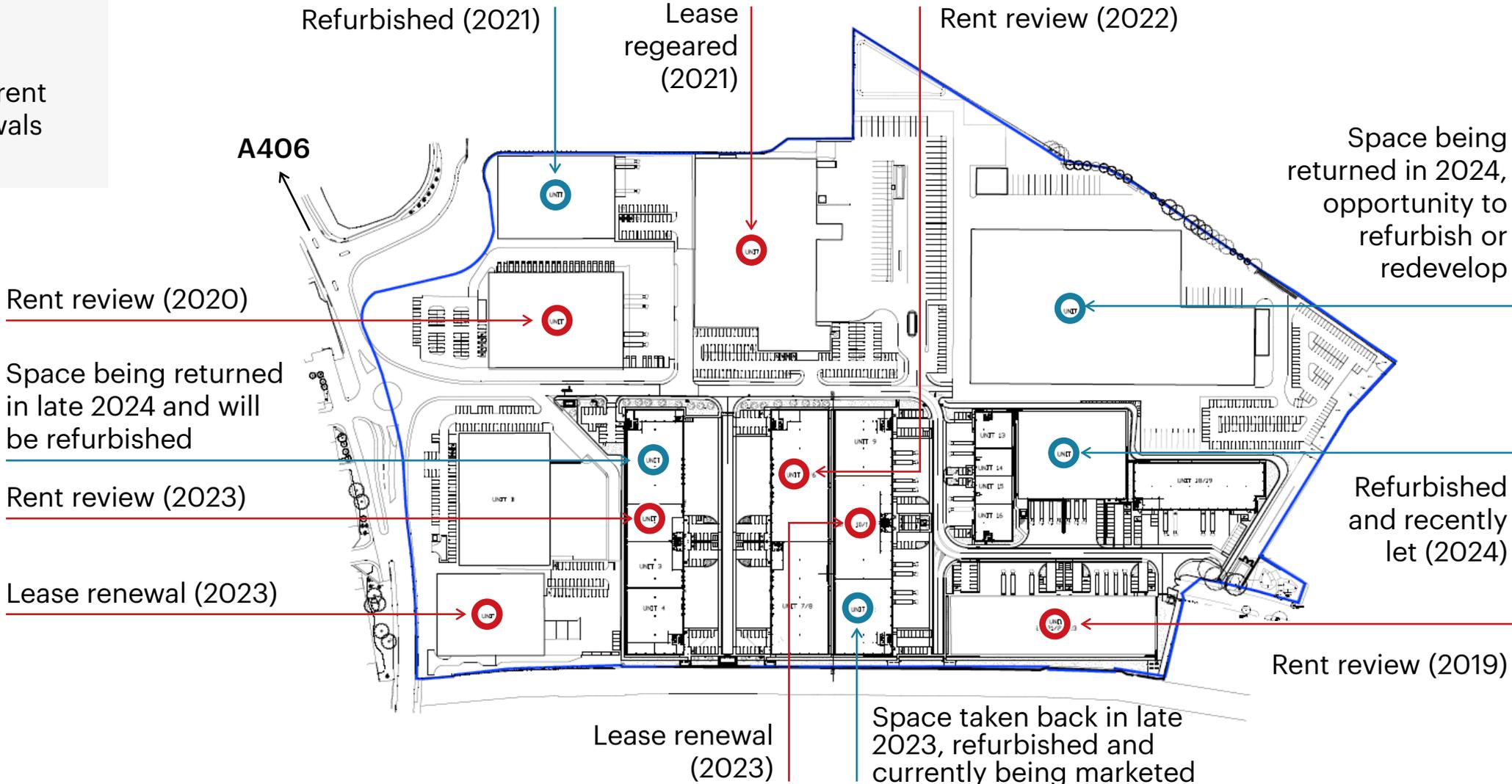
PAGANI

brakes  
a Sysco company

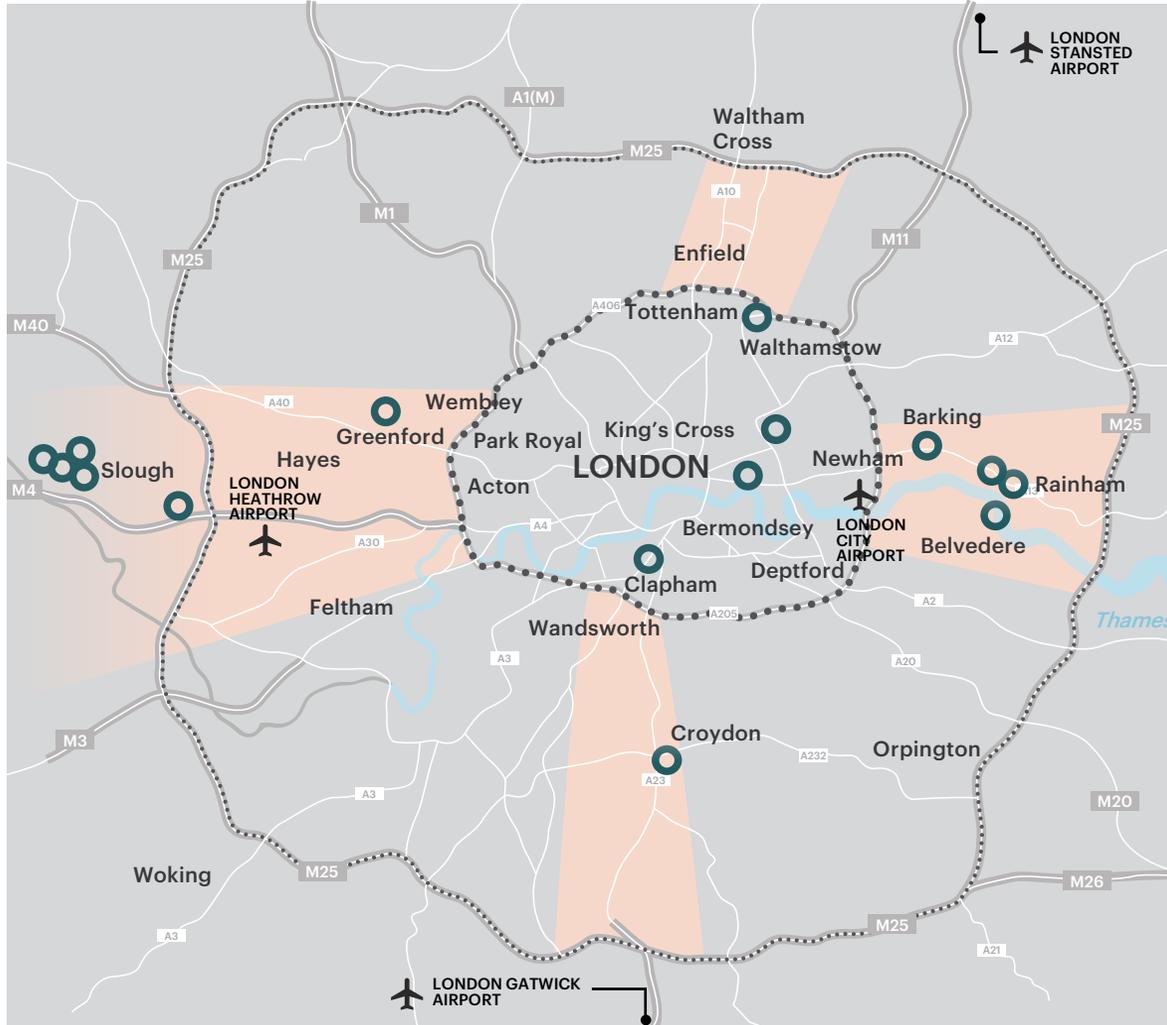
ithpharma

Anthony Wood Thomas

Topaz



# Further £159 million rental upside from development



- Land is scarce and requires local knowledge and strong relationships to source.
- Acquired a number of older industrial assets for redevelopment.
- Typically developing on brownfield sites, huge opportunity to create broader stakeholder value.

£159m

Potential rent from development<sup>1</sup>

6-8%

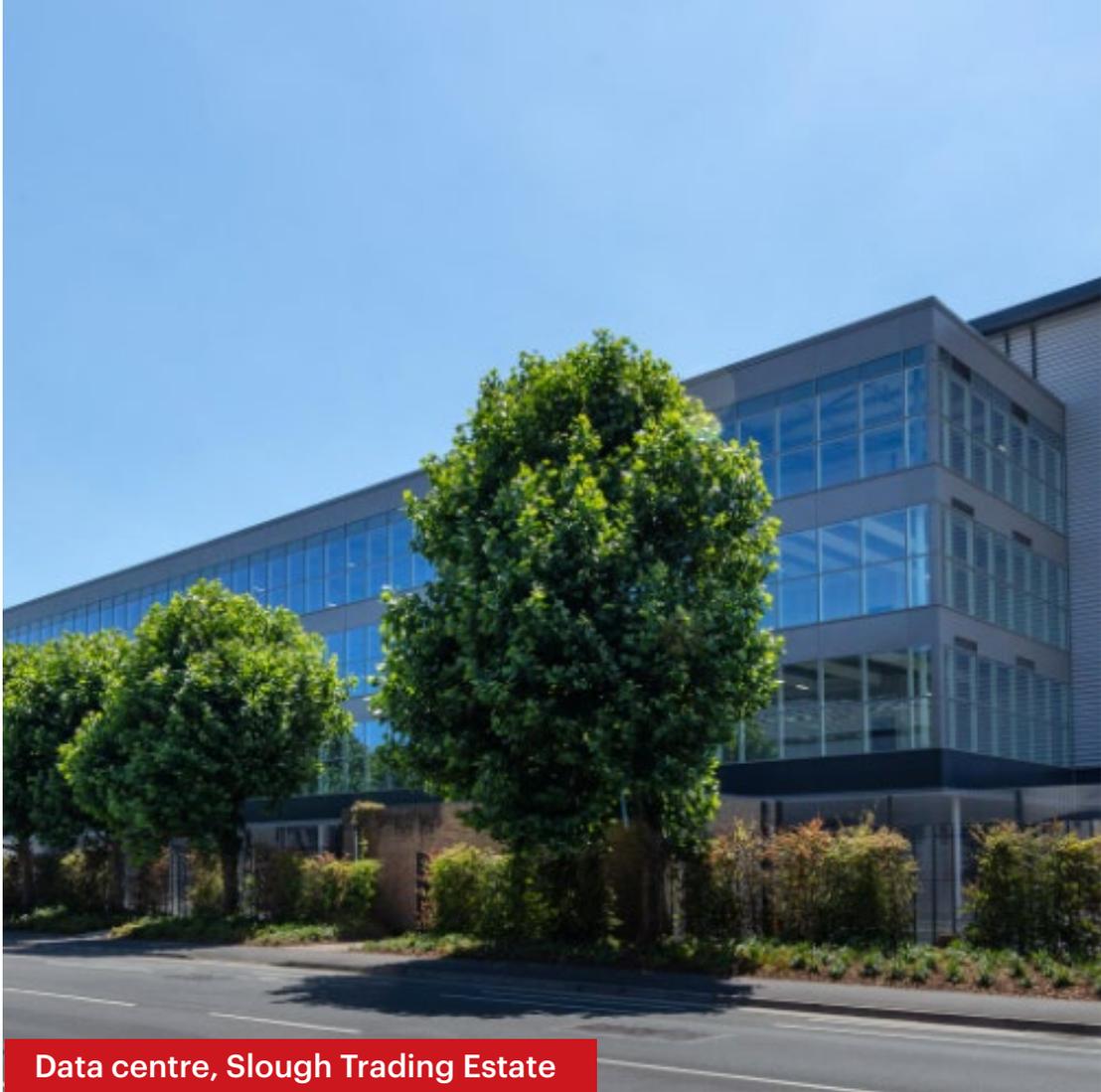
Anticipated development yield

1. Including land and options.

# Making the most of limited land available through intensification



SEGRO Park Tottenham



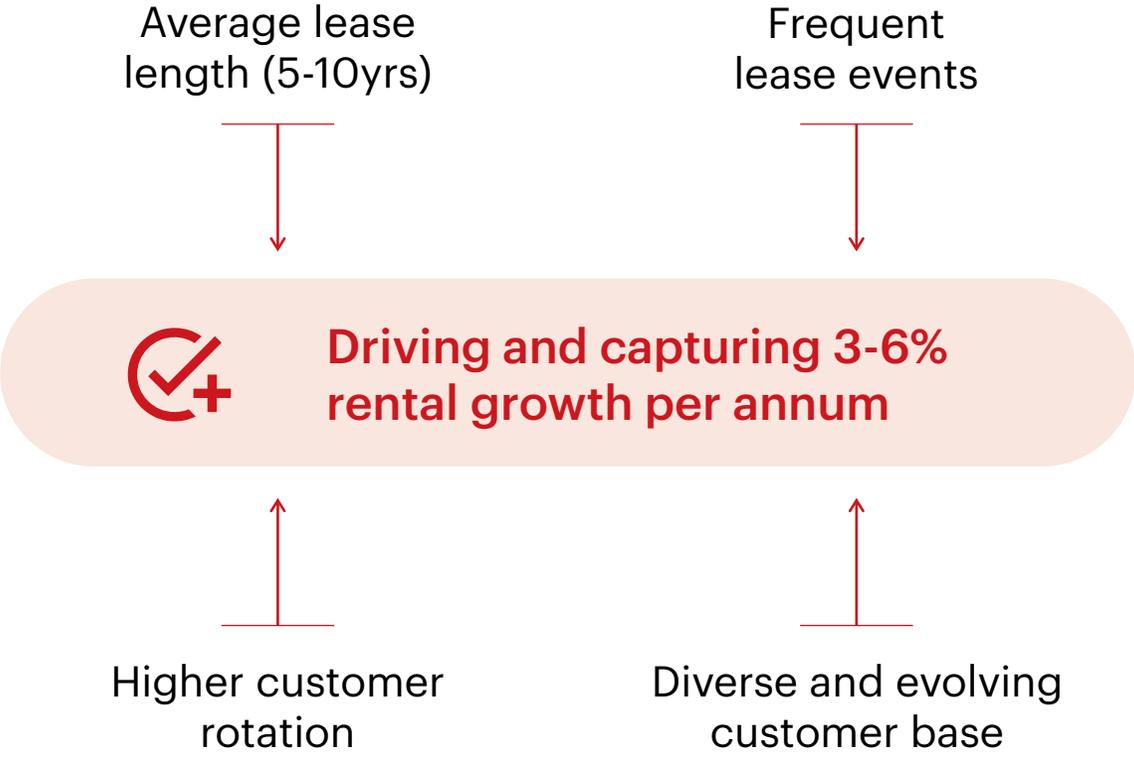
Data centre, Slough Trading Estate



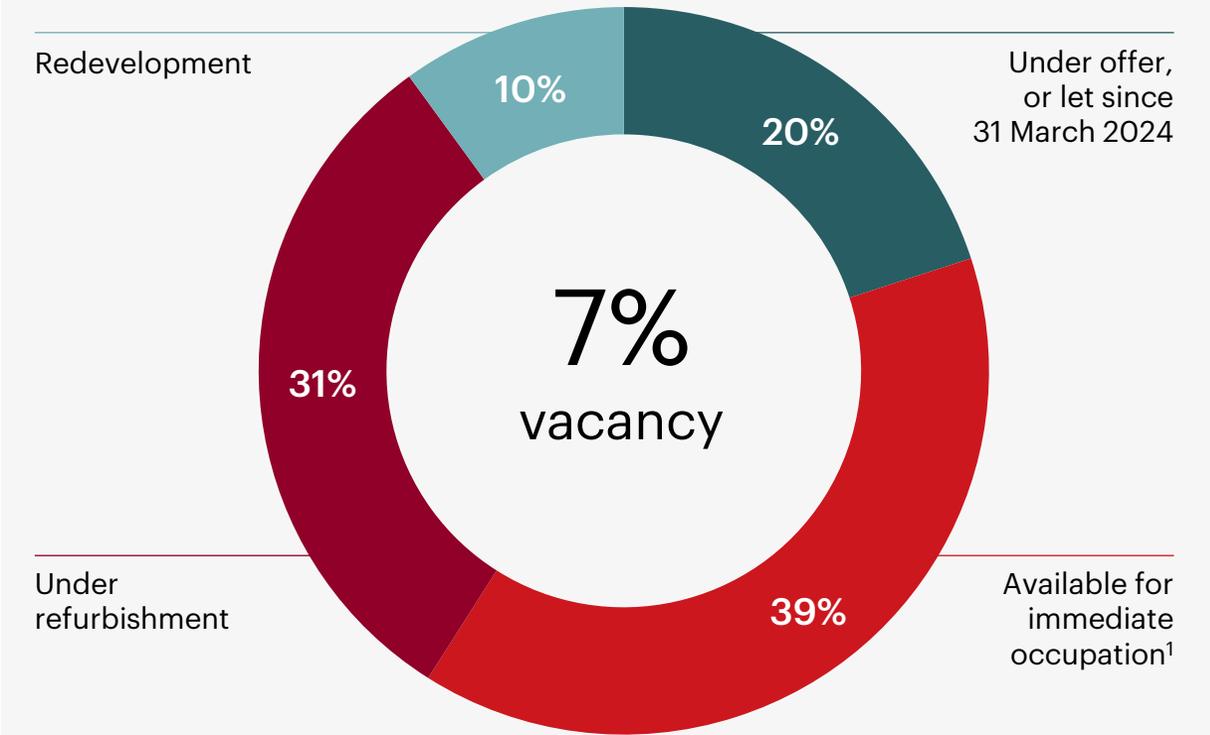
SEGRO V-Park Grand Union

# Higher rental growth opportunity from urban portfolio

## Driving rents in our urban portfolio



## UK urban vacancy analysis, as at 31 March 2024



1. Developments completed speculatively in the last two years account for 36% of the space available for immediate occupation.

# Potential to double rental income from our UK urban portfolio

£322m

Passing rent at  
31 March 2024



£150m

uplift from asset  
management of  
existing portfolio<sup>1</sup>



£19m

from redevelopment  
of older assets<sup>2</sup>



£159m

further upside from  
development

£650m

Future rent  
potential

PLUS:

3-6%

per annum  
rental growth

2016-2023  
average:  
+7.3%

1. Including uplift from expiry of rent-free periods, letting of vacant space and reversion capture.  
2. Redevelopment over next 5 years.

# Our strategy to drive superior returns from our urban portfolio



An **irreplaceable** portfolio managed by a **market-leading operating platform**.



**Active asset management** to build customer engagement and grow rent roll.



**Refurbishment and redevelopment** is delivering new space at top rents.



Additional opportunity from our **well-located landbank**.



SEGRO Park Rainham



# Our **Continental European** urban strategy



**Marco Simonetti**

Managing Director Continental Europe, SEGRO



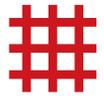
# Bringing urban warehousing to Continental Europe



Underlying trends are similar in European cities, but they **present themselves differently**.



Apply the **knowledge and insights** gained in the UK and **adapt strategy** for each local market.



Create **flexible** space suited to a **wide range** of potential occupiers.



**First mover advantage** in the most attractive urban markets on the Continent.



SEGRO Park Roissy

# Underlying tailwinds in European urban markets are similar...



Growing populations and changing demographics in major cities

Restricted or shrinking land supply

High levels of business activity

Old road networks and congestion

# ... but present themselves differently in each major city

## Illustrative comparison of our key cities<sup>1</sup>

	Population density	Business activity	Congestion (difficulty of movement)	Shortage of land	Digitalisation (e-commerce)	Industrial market maturity	SEGRO Urban average ERV <sup>2</sup> per sq m
London							£243
Paris							£105
Düsseldorf							£87
Warsaw							£63

1. SEGRO analysis.  
2. As at 31 December 2023.

# Leading to an urban portfolio focused exclusively on Europe's largest cities

**£2bn**  
AuM<sup>1</sup>

**£109m**  
Headline rent<sup>2</sup>

**56**  
Number of estates<sup>2</sup>



- Cities with urban assets
- Cities with urban assets & SEGRO offices

1. As at 31 December 2023, CE Urban.

2. As at 31 March 2024, CE Urban.

# Creating a new standard of urban warehouse space in Continental Europe



SEGRO Park Elancourt



SEGRO Park Paris Air² Gennevilliers



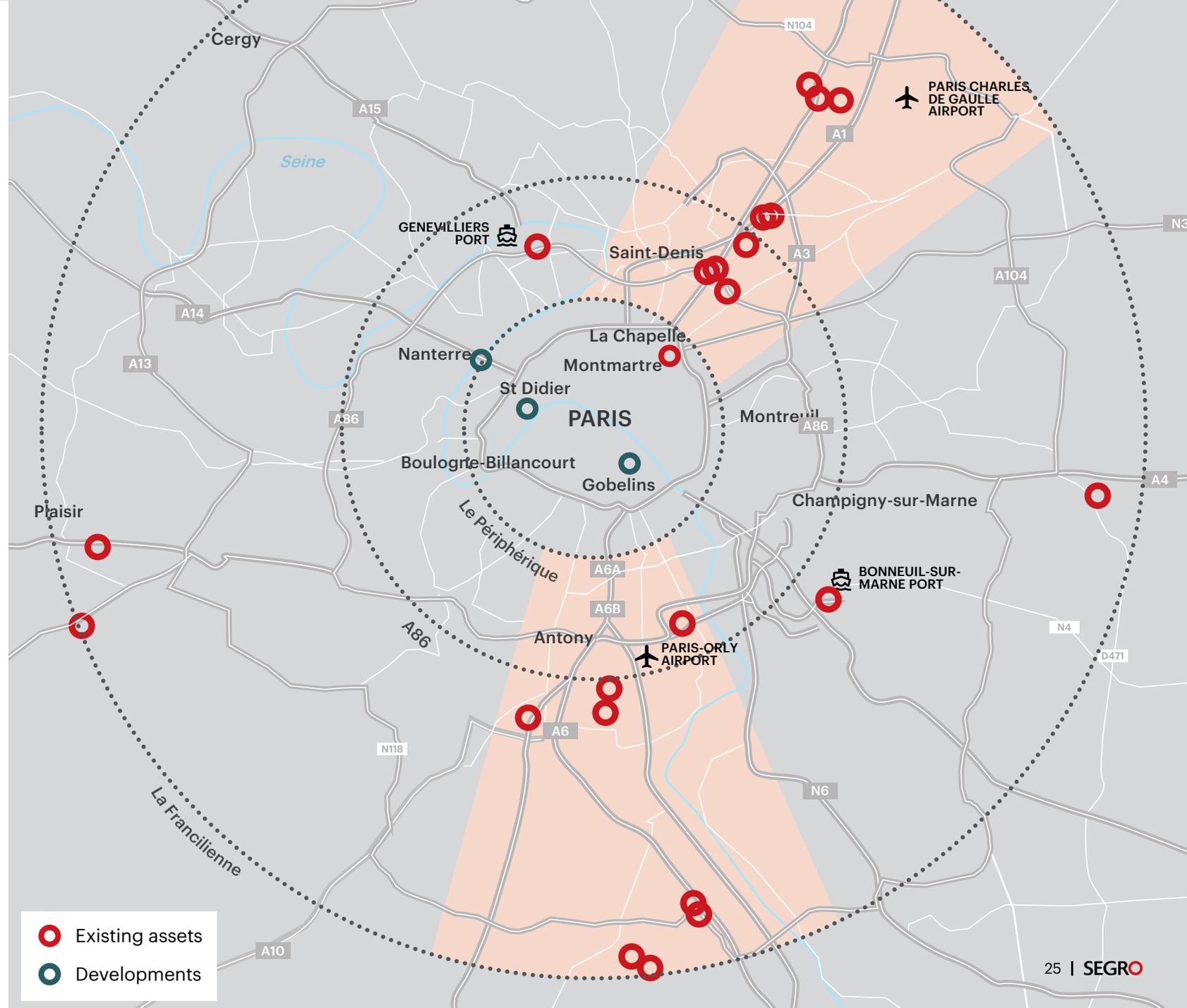
SEGRO Park Cologne City



SEGRO Park Amsterdam Airport

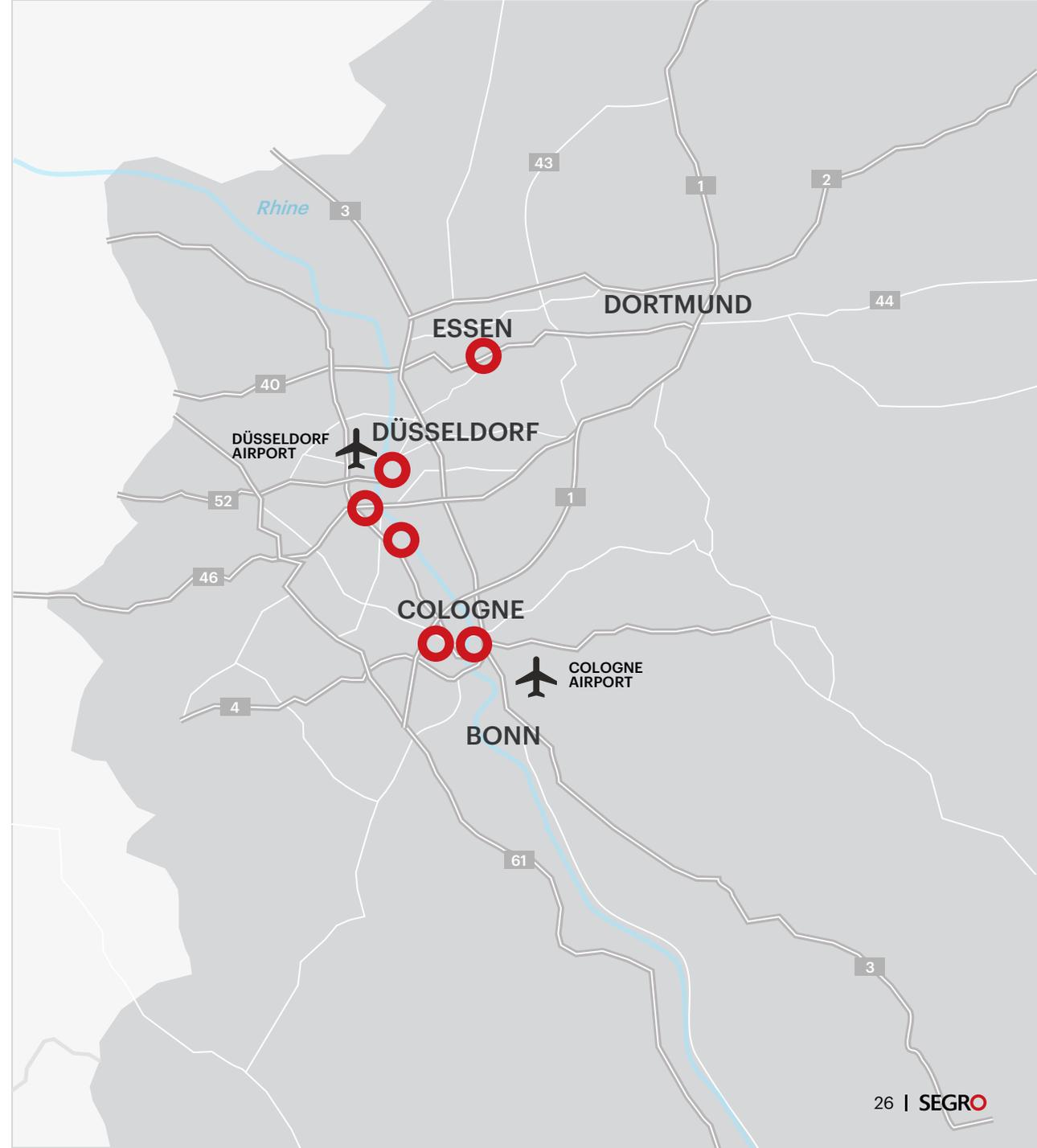
# Our Paris strategy

- Paris is densely populated and suffers from congestion.
- SEGRO's urban assets are used by a wide range of customers servicing the city centre.
- Establishing an 'inner city' presence inside le Périphérique.
- Clusters of assets around airports and inland ports.
- Lack of available land means we are often transforming old sites.
- New regulations to combat climate change are going to make these sites even more attractive.



# Our Rhine-Ruhr strategy

- Germany is decentralised, SEGRO's portfolio is focused on the most active markets.
- Rhine-Ruhr is the largest metropolitan area, >10 million people across 11 cities.
- Our urban assets are in Cologne, Düsseldorf and Essen.
- Modern, flexible space used to provide goods and services to close to the surrounding area is known as 'Gewerbeparks'.
- Customer base is diverse and typically 'Mittelstand' (small and medium sized businesses).
- All built on brownfield land.



# Potential to almost triple rental income from our Continental European urban portfolio

**£100m**  
Passing rent at 31 March 2024



**£19m**  
uplift from asset management of existing portfolio<sup>1</sup>



**£167m**  
further upside from development

**£286m**  
Future rent potential

**PLUS:**  
**3-6%**  
per annum rental growth  
2016-2023 average: +3.6%

1. Including uplift from expiry of rent-free periods, letting of vacant space and reversionary potential.

# Bringing urban warehousing to Continental Europe



Underlying trends are similar in European cities, but they **present themselves differently**.



Apply the **knowledge and insights** gained in the UK and **adapt strategy** for each local market.



Create **flexible** space suited to a **wide range** of potential occupiers.



**First mover advantage** in the most attractive urban markets on the Continent.



SEGRO Park Düsseldorf City

**SEGRO**

# Defining the **urban** customer base



**Bonnie Minshull**  
Head of London, SEGRO

# Enabling our customers to do extraordinary things in modern cities



Urban warehouse space is **critical** for the **effective functioning** of modern capital cities like London.



A large and **increasingly diverse** range of businesses use this space to provide goods and services to **growing populations**.



Structural drivers are **changing the way that our customers operate** in London and major European cities.



Being located **within reach of the city centre** is key to the success of our customers' businesses.



Our spaces attract **high quality, ambitious and innovative businesses** and we work with them as partners.



**Delivering an outstanding customer experience** and building strong relationships helps create future opportunities for SEGRO.

# London is a thriving hub of activity

**43%** above UK

average GVA  
per worker<sup>1</sup>  
(25% of UK GDP)

**9m**

people living in London  
(13% of UK population)<sup>2</sup>

**25m**

daily TFL trips<sup>3</sup>

**22m**

Tourists per annum  
(>2x resident  
population)<sup>4</sup>

**94,000**

retail businesses<sup>5</sup>

**22,000**

music performances  
per year (across  
300+ venues)<sup>6</sup>

**14,745**

restaurants<sup>7</sup>

**>1.8m**

parcels delivered  
per day<sup>8</sup>

1. Sources: 1. [www.london.gov.uk](http://www.london.gov.uk) | 2. [www.data.london.gov.uk](http://www.data.london.gov.uk) | 3. TFL 'Consolidated estimates of total travel and mode shares' Report | 4. [www.worldcitiescultureforum.com](http://www.worldcitiescultureforum.com) (Office for National Statistics) | 5. [www.brc.org.uk](http://www.brc.org.uk) | 6. [www.worldcitiescultureforum.com](http://www.worldcitiescultureforum.com) (Time Out) | 7. [www.worldcitiescultureforum.com](http://www.worldcitiescultureforum.com) (Office for National Statistics) | 8. Pitney Bowes Parcel shipping index 2023 (14m parcels delivered in the UK per day as a proportion of UK population)

SEGRO

A **day** in  
the life...



# Structural drivers are reshaping the way modern cities function

## Data & digitalisation

Rise of the digital economy – increasing consumption of data and the growth of e-commerce.

## Urbanisation

Growing populations increase the need for goods and services yet put pressure on land supply.

## Supply chain optimisation

Pressure to deliver to consumers faster than ever before yet cities are getting harder to navigate.

## Sustainability

Increased focus on reducing carbon emissions and having a positive impact on the environment.

# A diverse customer base that supports a growing city

**Customer sectors<sup>1</sup>**  
(UK Urban headline rent, SEGRO share)



Services, utilities and other



Transport and logistics



Technology, Media and Telecoms



Post and Parcel Delivery



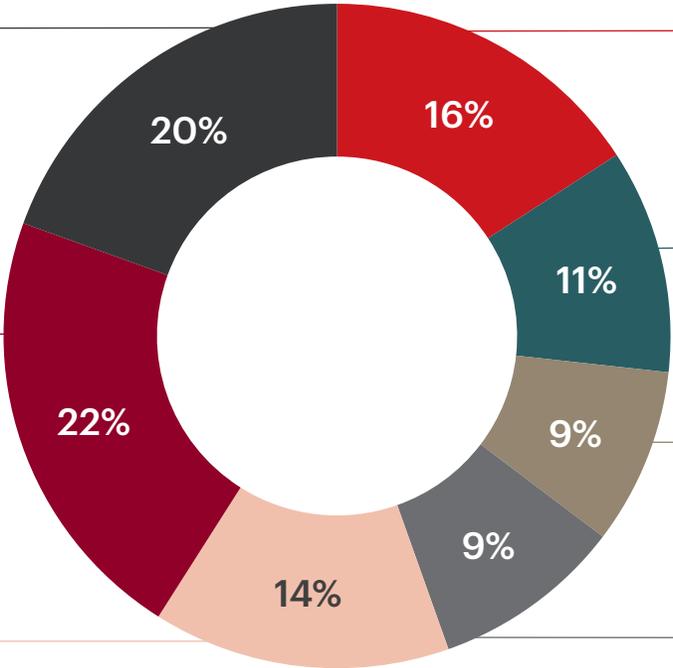
Manufacturing



Retail



Wholesale and Retail Distribution



650

customers

35

sectors

1. As at 31 December 2023, UK urban

# Users of our urban warehouse space



## Movers

Moving the goods that we consume from where they are produced to end users.

Includes:

- Third-party logistics
- Post & parcel
- Retailers/ wholesalers
- Distributors
- Air cargo handlers



## Makers

Producing the goods that we consume (both physical and digital).

Includes:

- Goods manufacturers
- Assembly operations
- Food preparation
- Pharmaceuticals
- Film & TV production studios



## Enablers

Making things happen by providing goods and services to an industry or end user.

Includes:

- Data centres
- Support services
- Vehicle servicing
- Engineering/ tradesmen
- Utilities



# Movers

## How do they use urban warehouse space?

- Used to store, transport and sell goods.
- Modern operations need high buildings to maximise racking capacity and flexible space to enable automatisation.
- Customers often combine distribution with other parts of operations.

## Why do they need to be in urban warehouse space?

- Proximity to end consumers

## Structural drivers:

- ✓ Data & digitalisation
- ✓ Supply chain optimisation
- ✓ Urbanisation
- ✓ Sustainability



DHL, SEGRO Logistics Centre Poyle



Ocado, SEGRO Logistics Park Purfleet



# Makers

## How do they use urban warehouse space?

- Layout will be determined by the production process.
- Some operations are very labour intensive and others very automated.

## Why do they need to be in urban warehouse space?

- Perishable goods being consumed by local populations.
- Access to skilled labour.
- Proximity to airports for international distribution.

## Structural drivers:

- ✓ Data & digitalisation
- ✓ Supply chain optimisation
- ✓ Urbanisation
- ✓ Sustainability



Camden Town Brewery, SEGRO Park Morson Road



Matrix Plastics, Slough Trading Estate



## Enablers

### How do they use urban warehouse space?

- Will vary significantly on the goods or services being provided.
- Many intensify the use of space through mezzanines and some require a 'customer-facing' function

### Why do they need to be in urban warehouse space?

- Proximity to the end customer to meet customer service levels.
- Access to skilled labour.

### Structural drivers:

- ✔ Data & digitalisation
- ✔ Supply chain optimisation
- ✔ Urbanisation
- ✔ Sustainability



Superhire Props, Premier Park



CLEAN Linen Services, Slough Trading Estate



## Location and specification

Ease/speed of getting goods to and from operations

Ability to meet customer expectations and service level requirements

Ability to access and retain skilled labour

Total operating costs

Building specification

Secure and safe estate

Energy efficiency

Ability to reduce carbon emissions through the value chain



## Case study: SEGRO Park Tottenham

Access to A10 and A406 within 5 minutes and M25 in 15 minutes

Ease/speed of getting goods to and from operations

Seamless transport links to the heart of London

Ability to meet customer service level requirements

Close to large population and high specification of amenities

Ability to access and retain skilled labour

Solar panels help to reduce energy costs

Total operating costs

Flexible space with mezzanines and outside space

Building specification

24-hour security and segregated vehicle and pedestrian movements

Secure and safe estate

EPC A+ and equipped with smart building technology

Energy efficiency

Outstanding environmental credentials and carbon negative in operation

Ability to reduce carbon emissions

# Consistently strong retention and customer satisfaction despite recent cost pressures

Our focus on **prime markets** and the highest specification space helps us to attract the **highest quality customers**.

We aim to work in **partnership with our customers** to support them with their ambitions (and challenges).

Consistently striving to deliver the **highest levels of customer service**.

Our commitment to **delivering an outstanding customer experience** differentiates us from other landlords.

**Customer satisfaction and retention has remained high despite higher rental levels.**



85%

Customer satisfaction<sup>1</sup>

95%

Would recommend us to someone else<sup>1</sup>

88%

Customer retention<sup>2</sup>

1. 2023 Customer Satisfaction Survey, UK urban portfolio.  
2. As at 31 March 2024, UK urban.

# Creating outstanding customer relationships and future opportunities through connection...

**Cross-border relationships**

**Use of technology**

**Connecting our customers**

**Customer segmentation & sector approach**

*introhive*

↔

🌐

📷

📁 🛡️ ⭐

The collage consists of four vertical panels. The first panel shows a yellow Deutsche Post building with DHL vans parked in front. The second panel shows hands typing on a laptop with the 'introhive' logo overlaid. The third panel shows two hands shaking in a firm grip. The fourth panel shows a large industrial building at night with lights on. At the bottom of each panel is a white icon: a double-headed arrow, a network node, a camera, and a set of three icons (briefcase, shield, star).

# Enabling our customers to do extraordinary things in modern cities



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# Customer panel



Moderator:

**Paul Dunne**

Group Customer  
& Operations Director, SEGRO

**Nigel Harris**

Senior Asset Manager,  
Group Property & Development,  
John Lewis

**Bonnie Minshull**

Head of London, SEGRO

**Paul Bridson**

Estates Director,  
Royal Mail

**Ryan Dean**

Founder,  
RD Content

**SEGRO**

# Defining the data centre opportunity



**Andrew Pilsworth**  
Chief of Staff, SEGRO

# SEGRO has the track record, expertise and a significant opportunity in the high growth data centre market



Almost **20 years** of experience in creating **Europe's largest data centre hub**.



**Established relationships** with major co-locators and hyperscalers.



**1.2 GW** of capacity can be delivered over the next **10 years** – equating to potential rent **c£200m**.



**Dark/powered shell approach** is our **base case** but open to all models.



# A market with huge growth potential

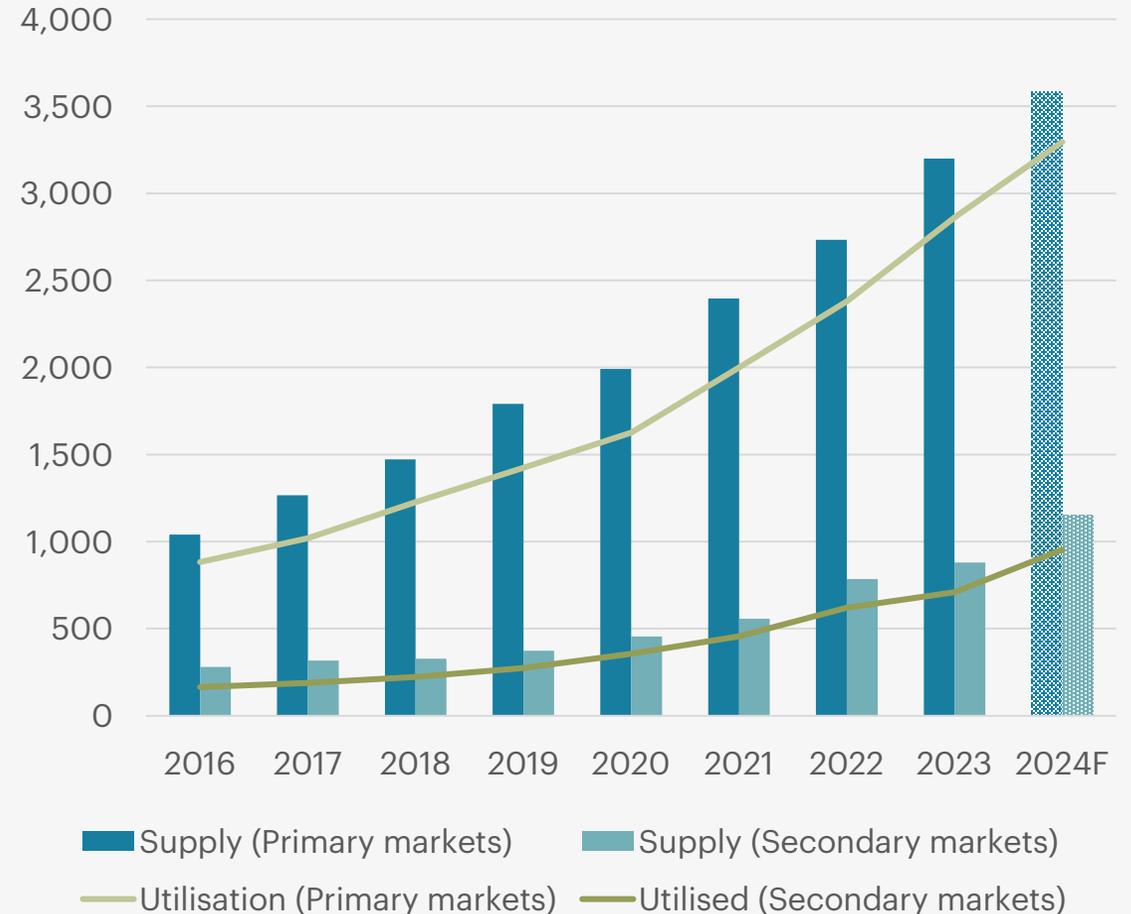
Driven by **rising data consumption** and the **ongoing cloud transition**.

- FLAP-D market has **doubled in size** since 2018 (to 3.3 GW)<sup>1</sup>.
- Demand has focused on **Availability Zones**.
- **Cloud-linked** data centres will continue to focus on existing and emerging **Availability Zones**.

**Artificial Intelligence** is super-charging demand for data.

- **Inference AI** (user-related) likely to continue to focus on existing and emerging **Availability Zones**.
- **Generative AI** (machine-learning) may take place in more **remote locations**.

European market supply and utilisation<sup>1</sup>



1. Source: CBRE Research, Q1 2024. Primary markets: Frankfurt, London, Amsterdam, Paris, Dublin. Secondary markets: Berlin, Brussels, Madrid, Milan, Munich, Oslo, Stockholm, Vienna, Warsaw, Zurich.

# Almost 20 years of experience in the data centre market

First data centre lease was signed on the **Slough Trading Estate in 2005.**

Slough is now home to **Europe's largest cluster of data centres.**

SEGRO's first **multi-storey** data centre was built in 2018.

All of our data centres are **dark shells** – SEGRO developed and leases the building (with an allocation of power) to data centre operators, such as:



**34**

**Data centres**  
(30 in Slough)

**£51m**

**Headline rent<sup>1</sup>**  
(7% of Group)

**17 years**

**WAULT<sup>1</sup>**  
(to break)

# The secrets to the Slough Trading Estate's success

## Proximity

Located in major **Availability Zones** for latency and resilience.

Access to **established** fibre optic and sub-sea cables.



## Power

Private and resilient power network.



## Planning

Strong relationship with the Slough Borough Council.

Simplified Planning Zone (SPZ) offers a significant competitive advantage in **Slough**.



# There are a number of real estate strategies...

## CAPITAL REQUIREMENT, OPERATIONAL COMPLEXITY AND RISK

Characteristics:	Powered land	Dark/power shell	Fully fitted	Colocation
Source land, power and planning	✓	✓	✓	✓
Build shell	✗	✓	✓	✓
Complete fit-out	✗	✗	✓	✓
Operate and maintain	✗	✗	✗	✓
Leasing risk	None	Pre-let	Speculative or pre-let	Speculative or pre-let
Capital intensity	Low	Medium	High (8-10x)	High (8-10x)
Pricing model	Per acre	Per sq m	Kw per month	Kw per month

Core real estate activity

...SEGRO's strategy, to maximise risk adjusted return, is focused on the dark/power shell model.

# ...leased to three main customer types

## Enterprise

Private data centres.

Mostly used by telecommunications companies and financial services.

Proximity to end user is important.



Morgan Stanley



## Co-locators

Fully-fitted out space leasing to other businesses (including hyperscalers).

Offer control, cost efficiency and scalability.

Demand driven by Cloud transition and data usage so focused on major Availability Zones.



## Hyperscalers

Huge data centres focused on processing power and scalability for high-tech businesses and applications.

Demand driven by Cloud and increasingly Artificial Intelligence.

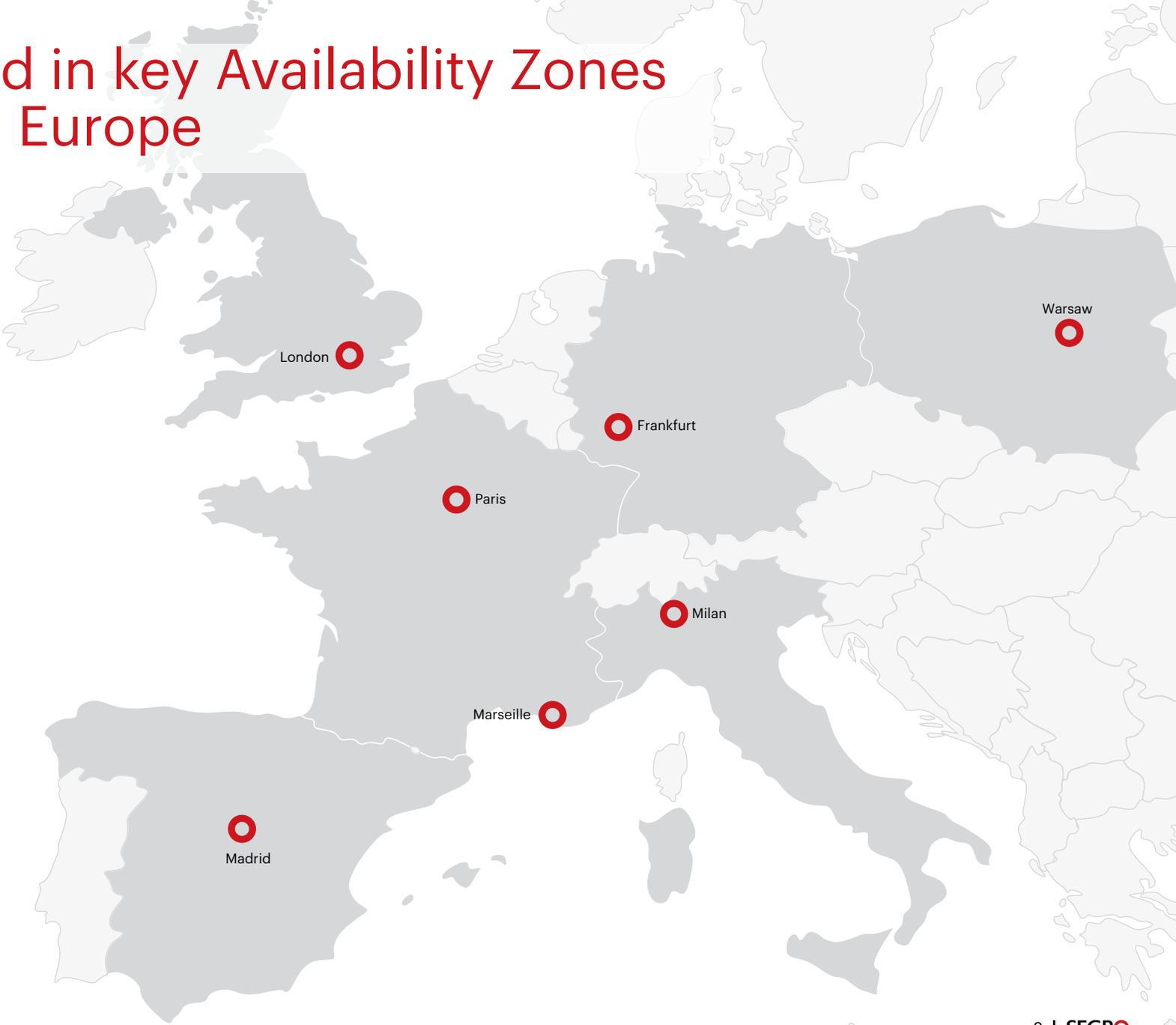


# SEGRO opportunity located in key Availability Zones across UK and Continental Europe

**24**  
potential sites<sup>1</sup>

**17**  
in the UK, mostly Slough

**7**  
Continental Europe



1. As of 31 March 2024. Development pipeline and redevelopment of existing assets.

# Our strategy to capture c£200m of additional rental opportunity

---

Focus on our **existing markets** which are located in key Availability Zones.

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Targeting demand driven by Cloud and Inference AI.

---

## Execution strategy:

- Preferred model is dark/ powered shells.
- Sale of powered land where long-term value can be captured upfront.
- Exploring other models to maximise value on a case-by-case basis.



**1.2GW**

Potential new capacity by 2034 (70 per cent secured)<sup>2</sup>

**c£200m**

Additional rent opportunity<sup>1</sup> (incl landbank and redevelopment)

**8-12%**

Yield on cost<sup>1</sup>

1. Assuming dark/powered shell model only.

# Case study: Ajax Avenue, Slough Trading Estate



72,500 sq ft of 1960s multi-let terraced warehouses



Re-located customers to other parts of the portfolio



Completed three multi-level data centres, equating to over 400,000 sq ft of space in December 2023



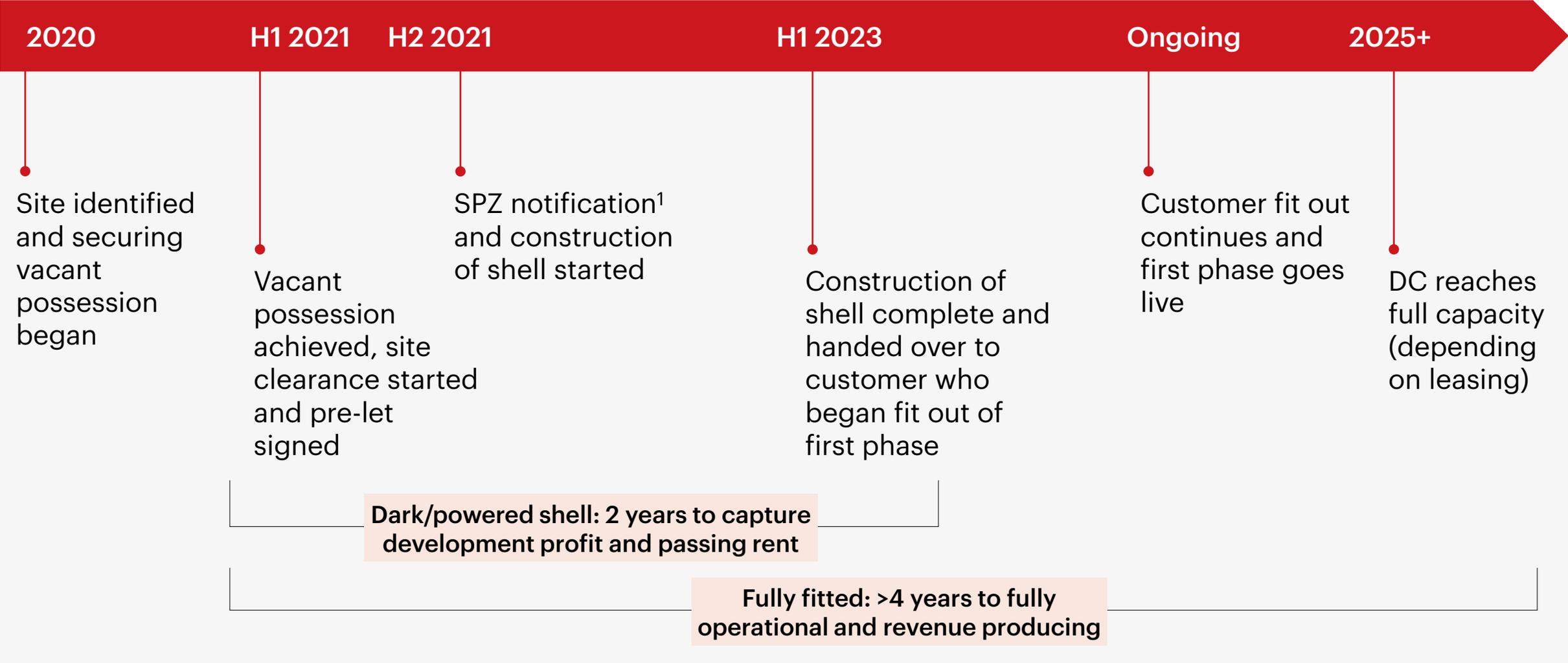
Lease signed with Global Technical Realty for 25-year term



Significant increase in rent and lettable area



# Case study: Ajax Avenue, Slough Trading Estate



1. Simplified Planning Zone. Due to this arrangement specific planning permission was not required.

# Both SEGRO and data centre operators are mindful of the ESG challenges

## SEGRO

- Bespoke data centres developed to the same high sustainability standards as our industrial assets.
- Green Lease clauses to increase use of renewable energy.
- Data Centre Community Investment Plan (CIP) to benefit community around the Slough Trading Estate.

## Data centre operators

- Climate Neutral Data Centre Pact established to combat climate change.
- Focusing on improving power usage effectiveness, sourcing clean energy, limiting water usage and reducing waste.
- Data centres provide direct and indirect high-quality employment both during construction and operation.



# SEGRO has the track record, expertise and a significant opportunity in the high growth data centre market



Almost **20 years** of experience in creating **Europe's largest data centre hub**.



**Established relationships** with major co-locators and hyperscalers.



**1.2 GW** of capacity can be delivered over the next **10 years** – equating to potential rent **c.£200m**.



**Dark/powered shell approach** is our **base case** but open to all models.



SEGRO

# Conclusions



**David Sleath**  
CEO, SEGRO



# Defining SEGRO's urban warehouse opportunity

Urban warehousing in major European cities is a unique asset class with different specific market characteristics and supply-demand dynamics which drive superior returns.

The customer base is diverse and deep, located in the major cities to be close to their own customers and skilled workforce, and values the prime locations and specifications of SEGRO's portfolio to ensure the success of their business.

SEGRO is uniquely positioned with its irreplaceable portfolio of urban assets in Europe's largest cities, managed by a market-leading operating platform to deliver profitable growth in its urban portfolio.

SEGRO

# Defining the urban warehouse opportunity



## LUNCH

Asset tours depart at 14:00

Presentations and recording of today's event will be available on [www.segro.com/investors](http://www.segro.com/investors)



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