SEGRO
WHERE BUSINESS WORKS

5 November 2009

SEGRO plc Interim Management Statement

SEGRO plc, the leading European industrial commercial property investment and development company, today announces its Interim Management Statement for the nine months ended 30 September 2009.

Introduction

During the third quarter of 2009, SEGRO continued to deliver good operational performance despite challenging occupier markets. Capital values appear to have stabilised in the UK and IPD has recorded a slight increase in capital values in the last quarter. The Group has successfully completed the initial phase of the acquisition and integration of Brixton and is focused on reducing the vacancy rate of the Brixton portfolio over the medium term. Development activity is still very tightly controlled and the Group continues to proactively re-cycle assets where it can no longer add value. Disposals totalled £285m in the first nine months of the year at an average initial yield of 8.4%. Strong financial discipline continues to be exercised and the balance sheet remains in good shape.

Successful acquisition and integration of Brixton

- The integration of Brixton's employees and asset portfolio into the Group was completed by 30 September 2009, with a revised organisational structure in place for the enlarged business.
- The Group has taken the actions necessary to realise the anticipated cost synergies of £12m per annum as announced at the time of the offer.
- The UK management team is focused on reducing the vacancy rate (23.0% as at 30 September 2009), over the medium term, of Brixton's high quality and well located portfolio.

Note: Unless otherwise stated, all operational figures exclude joint ventures and short term licences, and exclude the five weeks of post acquisition results of Brixton plc (which have been disclosed separately in the appendix). Brixton figures will be integrated in Q4 and full year reporting.

Occupier market

- The level of new enquiries for space has continued to trend downwards during the third quarter of the year although some early signs of recovery have emerged over the last few weeks and a number of new and existing customers are looking more actively at new space requirements.
- The Group achieved good leasing levels in Q3 09 given the challenging economic environment, with 71,000 sq m of space let / £3.0m annualised income (Q3 08: 153,000 sq m / £11.7m annualised income) and year to date lettings of 335,000 sq m / £17.0m annualised income (2008: 382,000 sq m / £26.5m annualised income).
- Downward pressure on rental levels has continued and rent free incentives remain above the historic norm. Lettings, rent reviews and lease renewals in the nine months in the UK were settled, on average, at 6.7% below valuers' estimated rental values (ERV) as at 31 December 2008, reflecting the market conditions. Average lease incentives as a percentage of rent to the earlier of first break or expiry were 7% in the UK and 6% in Continental Europe over the first three quarters of 2009.
- Space returned across the Group was in line with management's expectations and amounted to 21,000 sqm / £1.9m annualised income in Q3 09 (Q3 08: 80,000 sq m / £4.1m annualised income) bringing total space returned for the nine months to 208,000 sq m / £13.3m annualised income (2008: 244,000 sq m / £14.7m annualised income).

- After an increase in insolvencies in the second quarter of the year, Q3 09 has seen a reduction in space taken back from insolvencies and improvement in cash collections compared to both Q1 and Q2 09. Year to date, 25 properties representing £2.6m annualised income (0.9% of rent roll) have been returned as a result of insolvency. This represents a slight improvement on the equivalent period in 2008 where £2.9m of annualised income was lost from insolvencies.
- £6.8m of annualised income (UK: £1.5m; Continental Europe: £5.3m), representing 3.0% of the rent roll is at risk with 20 customers who are still in occupation but in the process of administration or liquidation. This includes Arcandor (Karstadt Quelle) which represents c. £5.3m of annualised income.
- The vacancy rate (by rental value) for the Group excluding the Brixton portfolio, has improved since June 2009 from 11.3% to 10.9% at 30 September 2009. Including the Brixton portfolio, the overall Group vacancy rate is 14.0%.

Property Valuations – First signs of capital growth in the UK since June 2007

- The Group's property portfolio was last valued as at 30 June 2009 and reported a decline in values of 13.7% in the UK and 7.2% in Continental Europe compared with 31 December 2008. The next valuation of SEGRO's portfolio will take place as at 31 December 2009.
- The IPD index showed a 1.1% increase for UK industrial property values in the third quarter, driven by yield compression, following eight consecutive quarters of decline. This evidence is being borne out by the Group's experience as we discuss possible transactions with advisers and counter parties.
- There is still uncertainty on the likely timing for value stabilisation in the Continental European industrial markets, but market transaction activity showed a significant increase in Q3 09 compared to Q2 09 and investor demand appears to be increasing for prime assets in core markets.

Tightly controlled development activity and proactive capital recycling

- 230,000 sq m of developments were completed in the nine months to 30 September 2009 (including 21,000 sq m in Q3 09) of which 51% has been pre-let or sold.
- 72,000 sq m of space was under construction as at 30 September 2009 of which 79% has been pre-let or sold.
- In the nine months ended 30 September 2009, the Group disposed of non-core or stabilised assets for a total consideration of £285m at an average net initial yield of 8.4%. This included £179m of disposals in Q3 09 at an average discount of 0.1% to the valuation at 30 June 2009.

Financial position of the enlarged Group – Maintaining balance sheet strength

- Net debt as at 30 September 2009 was £2.6 billion (30 June 2009 SEGRO and pro forma for Brixton acquisition: £2.5 billion) reflecting:
  - Consolidation on acquisition of Brixton's net debt of £806m (before fair value adjustments);
  - £241m (net proceeds) of equity raised by way of a placing and open offer completed on 31 July 2009 (in conjunction with the acquisition of Brixton);
  - The cash cost of closing out Brixton's derivatives portfolio for £126m; and
  - Development expenditure of £35m in the quarter (£168m in the nine months ended 30 September 2009) and disposal proceeds of £179m.
- Cash and undrawn bank facilities as at 30 September 2009 stood at £940m and the remaining expenditure on committed developments and land purchases amounts to £96m.
- £305m of the Group's bank facilities (of which £90m are drawn) and £147m of bonds / notes are due for repayment or rollover before the end of 2010 and are fully covered by existing committed bank lines.
- The Group remained fully compliant with all its lending covenants as at 30 September 2009.

Ian Coull, Chief Executive commented:

"We are delighted with the progress already made in integrating the Brixton business into SEGRO and remain on track to deliver the anticipated synergy benefits.

Our existing business continues to show operational resilience despite challenging occupier markets. We continue to plan and manage our business on the presumption that economic conditions across the UK and Continental Europe will remain demanding for some time to come with further pressure on rental levels and on the demand for new space. We are, however, encouraged that UK capital values seem to have shown early signs of stabilisation and that Continental Europe appears unlikely to suffer the same level of declines that we have seen in the UK.

Our priorities remain unchanged: to stay close to our customers, recycle capital, exercise strong financial and risk management, and continue capitalising on the current economic environment. With the integration of Brixton into the Group, we have taken the actions necessary to deliver the synergies previously identified and we are now focused on using our asset management capabilities to reduce the vacancy rate of the recently acquired portfolio".

CONFERENCE CALL FOR INVESTORS AND ANALYSTS
There will be a conference call for investors and analysts at 9:30 AM today GMT, hosted by Ian Coull, Chief Executive, and David Sleath, Finance Director.

To participate in the call, please dial:

UK	Tel: 0203 037 9101
International	Tel: +44 203 037 9101
US	Tel: +1 646 843 4608

From midday the conference call will be available on a replay basis from the analysts' presentations page of SEGRO's website at:

http://www.thomson-webcast.net/uk/dispatching/?event_id=3805264d6cb115c958e8ca719a5a82a5&portal_id=6a92849fc2a79254c939ec0a2f25296b

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About SEGRO
SEGRO is the leading provider of Flexible Business Space in Europe. Headquartered in the UK, SEGRO is listed on the London Stock Exchange and on Euronext in Paris. The Company is a UK Real Estate Investment Trust (REIT) with operations in ten countries, serving a diversified base of 2,300 customers operating in a wide range of sectors, representing both small and large businesses, from start-ups to global corporations. SEGRO has property assets of £5.1 billion, 6.2m sq m of built business space and a passing cash rent roll of £338m as at 30 June 2009. (Note: these metrics exclude the Group's share of joint ventures). www.SEGRO.com

Appendix - Supplementary details

UK

Lettings

- 112,000 sq m of space / £7.0m annualised income was let in the nine months to the end of September 2009 (2008: 115,000 sq m / £9.6m annualised income).
- 33,000 sq m of space / £1.0m annualised income was let in Q3 09 (Q2 09: 28,000 sq m / £3.3m annualised income, Q3 08: 41,000 sq m / £3.9m annualised income).
- Letting highlights in Q3 09 included 9,600 sq m in Heywood let to Fowler Welch Coolchain and 3,400 sq m of space in Meteor Park, Birmingham let to Fourstar Employment and Skills Limited.
- 5,000 sq m has been let in the Brixton portfolio in Q3 09, representing £0.6m of annualised income (Q3 08: 7,000 sq m / £0.7 annualised rental income). 41,000 sq m of space has been let year to date, representing £4.8m of annualised income (2008: 42,000 sq m / £4.9m annualised income).
- Post 30 September 2009, a further 845 sq m of space was let in October at Premier Park, Manchester to Selecta UK Limited.
- 164,000 sq m of space / £11.1m annualised income was returned in the nine months ended 30 September 2009 (2008: 128,000 sq m / £9.2m annualised income).
- Lease renewals and unexercised breaks as a percentage of rental value in the UK improved from 45% in the six months to 30 June 2009 to 55% in the nine months to 30 September 2009.
- 18,000 sq m of space / £1.7m annualised income was returned in Q3 09 (Q2 09: 78,000 sq m / £4.5m annualised income, Q3 08: 31,000 sq m / £2.0m annualised income); 6,700 sq m of space was also returned in the Brixton portfolio between 25 August and 30 September 2009.
- 19 properties / £1.5m annualised income were returned due to customer insolvencies in the nine months ended 30 September 2009 (2008: 28 properties / £1.7m annualised income).
- The vacancy rate (by rental value) has shown a slight improvement in the UK since June falling to 10.3% (June 30, 2009: 10.5%).

Development activity and capital recycling

- 15,000 sq m of developments were completed in the nine months ended 30 September 2009 - 45% pre-let or sold.
- 61,000 sq m of space was under construction as at the end of Q3 09 - 84% pre-let or sold.
- £207m of disposals were completed in the nine months ended 30 September 2009 at an average net initial yield of 9.2% (including £120m of disposals completed in Q3 09 at an average net initial yield of 9.7% and at an average discount of 1.6% to valuation as at 30 June 2009).
- Included within the disposals was SEGRO's 30% share of the Equiton Industrial Partnership (from the recently acquired Brixton portfolio) to USS for net proceeds of £14m.

CONTINENTAL EUROPE

Lettings

- 223,000 sq m of space / £10.0m annualised income was let in the nine months ended 30 September 2009 (2008: 267,000 sq m / £16.9m annualised income.
- 38,000 sq m of space / £2.0m annualised income was let in Q3 09 (Q2 09: 76,000 sq m / £3.4m annualised income, Q3 08: 112,000 sq m / £7.8m annualised income).
- Lettings highlights in Q3 09 include 10,900 sq m let to Aurlane and 6,100 sq m let to CMP at Marly La Ville (Paris), and 8,200 sq m let to ABX Logistics in Alzenau (Germany). In addition, the Group secured an extension from three years to seven years for a 9,000 sq m letting to DHL in Hoofddorp, Netherlands. In addition, 2,300 sq m of space was let to IGS Schreiner at Tulipan Park, Warsaw in October bringing the occupancy at Tulipan Park to 100%.
- 42,000 sq m of space / £2.2m annualised income was returned in the nine months ended 30 September 2009 (2008: 117,000 sq m / £5.5m annualised income).
- 3,000 sq m of space / £0.2m annualised income was returned in Q3 09 (Q2 09: 22,000 sq m / £1.0m annualised income, Q3 08: 49,000 sq m / £2.1m annualised income).

- 6 properties were returned in the nine months ended 30 September 2009 due to customer insolvencies representing £1.1m of annualised income (2008: 3 properties / £1.2m annualised income).
- The vacancy rate (by rental value) has improved since June in Continental Europe to 11.8% (H1 09: 12.7%),or 9.8% including trading properties and joint ventures.

Development activity and capital recycling

- 218,000 sq m of developments were completed in the nine months ended 30 September 2009 - 51% pre-let or sold.
- 11,000 sq m of space was under construction as at the end of Q3 09 - 55% pre-let or sold.
- £77m non-core assets were disposed of in the nine months ended 30 September 2009 for an average net initial yield of 6.4% (including £45m of disposals in Q3 09 for an average net initial yield of 6.7% and at an average premium of 4.4% to valuation as at 30 June 2009).