

SEGRO PLC: Watts and Warehouses

With all the hype in markets around AI and the continuing growth of e-commerce, it's easy to think that the world we live in is all "digital". But behind every click and prompt sits physical infrastructure: efficient urban warehouses for same-day deliveries, mega-warehouses on the outskirts for the likes of Amazon, and data centres powering everything from social media to your latest ChatGPT / Gemini / Claude query. SEGRO owns a big slice of this essential "plumbing" across the UK and Western Europe. SEGRO reported pleasing results in 2025, having secured a record £99 million in new rent which underpinned the 6.1% growth in its dividend. With scarce urban land and prized power grid connections for data centres, the model has the potential to keep income compounding into 2030 and beyond.



Daniel Reynard

Founded over a century ago, SEGRO has expanded from the Slough Trading Estate into a FTSE 100 giant. Their portfolio is built on three pillars of scarcity:

1. Urban Logistics: These are warehouses near city centres like London, Paris, and Berlin. Because city land is so limited, these buildings are in high demand
2. Big-Box Distribution:

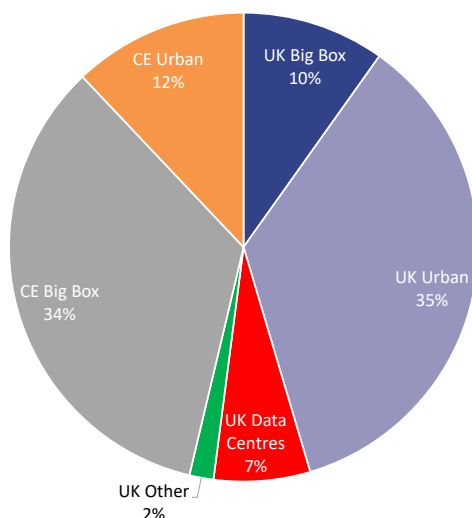
These massive hubs act as the backbone of global trade for giants like Amazon and Primark.

3. The Data Centre Powerhouse: Often overlooked, SEGRO is one of Europe's largest providers of

SPEED READ

- SEGRO sits at the intersection of two long-duration demand trends: last-mile logistics (scarce urban warehouses) and data centre expansion (power-constrained sites) across the UK and Western Europe.
- Record leasing and embedded rent reversion support dividend growth, while SEGRO's 2.5GW+ "power bank" is a hard-to-replicate advantage that can drive higher-value uses of its land.
- The upside case depends on converting powered land into fully fitted data centres at attractive returns, with the "speed-to-power" bottleneck increasingly determining who wins new AI/inference capacity.
- A conservative balance sheet and a sizeable development pipeline underpin long-term compounding, but the valuation requires us to be entry-point sensitive.

SEGRO: PORTFOLIO BY PROPERTY VALUE



SEGRO's portfolio is primarily urban logistics (48%) followed by big-box warehousing (44%). The data centre exposure remains relatively small and concentrated in the UK at present.

"powered land" for data centres. They already generate £58 million in rent (7% of total revenues) from data centres, which is currently just 0.5GW, but they control a massive 2.5GW+ power bank - equivalent to the electricity needs of several small cities.

External growth tailwinds: power and quality

The specialist property researchers CBRE, Savills, and JLL all agree that the market is entering a new phase where "average" warehousing space isn't enough after the large speculative development boom in 2021/22, with tenants preferring the modern A-grade buildings which SEGRO owns. Beyond 2025, three trends will drive SEGRO's growth:

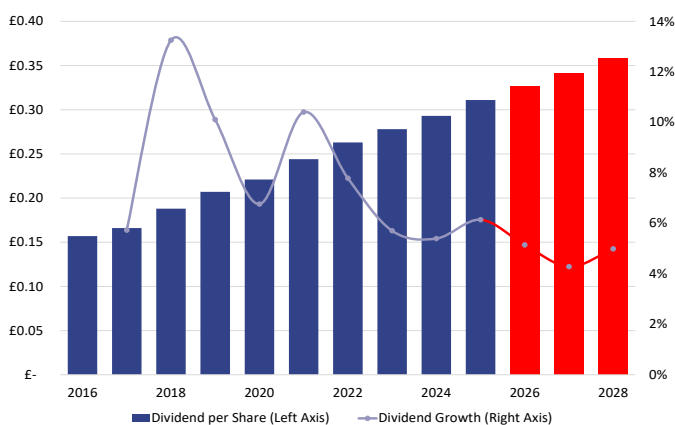
1. The Power Bottleneck: CBRE notes that European electricity grids are reaching their limit. A warehouse

is no longer just valued for its roof; it is valued for its power connection as it can take multiple years to get approval from the relevant authorities. SEGRO's 2.5GW+ "power bank" is a massive competitive advantage. As JLL puts it, "speed-to-power" is now a bigger driver of rent than simple land value.

2. The AI Infrastructure Supercycle: JLL forecasts global data centre spending will reach \$3 trillion by 2030. Crucially, by 2027, the demand will shift toward "inference" - the day-to-day use of AI by consumers. This requires facilities to be located close to customers in big cities - exactly where SEGRO's urban land bank is situated.
3. The Manufacturing Renaissance: Savills research highlights a "nearshoring" trend, where companies move production from Asia to Europe to avoid supply chain shocks. This is driving a manufacturing boom in SEGRO's German and Central European markets.

The growth engine: opportunities and potential headwinds

SEGRO'S ATTRACTIVE DPS GROWTH



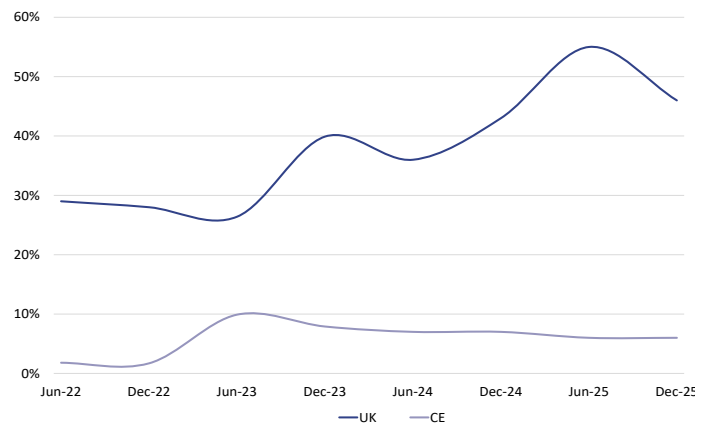
SEGRO continues to grow its dividend per share (DPS) steadily after navigating the pandemic and global interest rate hiking cycle. Forecasts (in red) point to a steady continuation of that growth trend.

SEGRO has three clear dividend growth "engines", which must be analysed alongside the potential risks that management must navigate:

1. The "Rent Reset" Opportunity

Because industrial rents soared in recent years, many of SEGRO's current tenants are paying "old" prices. When those leases end, SEGRO resets them to match today's market rate. In the UK, this resulted in a massive 46% uplift in 2025, building on the 43% growth in 2024. The leases in the European portfolio work differently as they are indexed to inflation every year, yet SEGRO still reported a 6% increase when signing new leases.

SEGRO'S STRONG REVERSIONS



SEGRO has been able to increase new rentals significantly higher than the expiring rentals, a trend that is expected to continue.

2. The Data Centre Accelerant

SEGRO is moving from just "leasing land" to partnering on fully fitted data centres. Fully fitted data centres are equipped with cooling and electrical systems but stop short of installing the GPUs in the server racks. These projects are expected to generate 9% to 10% returns, significantly higher than standard warehouses.

However, given that the future winners and losers of the AI story remain uncertain as the technology continues to advance rapidly, a reliance on data centres for growth could easily become a headwind. A disruption to the data centre industry could appear out of left field. However, mitigating factors include that data centres have longer lease terms of between 15-20 years and the demand for data centres has plenty of runway as AI players rush to secure the resources needed for their own growth.

3. The Development "Inflection Point"

SEGRO's development pipeline has increased back to more than £400 million as supply conditions normalise after 2021/22's development boom. By building on its own land bank, SEGRO generates yields of 7% to 8%, creating a profitable "spread" over its cost of borrowing, driving future DPS growth.

Financial discipline to back it up

SEGRO is built on a conservative balance sheet. Their Loan-to-Value (LTV) ratio is 33.6%, leaving plenty of breathing room before reaching the bank limit of 50%. Furthermore, they make over four times the profit they need to pay their interest bill and hedge more than 95% of their interest expense. This financial strength helps ensure that even if the economy hits a bumpy patch or interest rates rise further, dividends remain resilient and the balance sheet remains intact.

Is SEGRO reasonably priced or caught in the AI hype? Historically, SEGRO has traded on very rich valuations, with forward dividend yields dipping below 2% in 2022 when interest rates were close to 0% and UK logistics was hot property. Today's forward yield of 4.7% is less demanding, but it still screens tight versus UK and European logistics peers on around 5.5% to 7.0%. The case for accepting a lower yield for potentially stronger future growth is quality: a scarce urban portfolio, disciplined leverage, and a large 2.5GW+ powered-land position that is difficult to replicate. JP Morgan believes that there is attractive further upside based on SEGRO's ability to capitalize on the three mentioned opportunities: 1) the rent reset, 2) the data centre accelerant and 3) the development inflection point.

Conclusion: happy holders

SEGRO offers exposure to structural scarcity: modern urban logistics space and, increasingly, constrained power capacity for data centres. Record leasing, embedded rent reversion, and a sizeable development pipeline provide a credible path for dividends to compound over time, supported by a conservative balance sheet. The key variables are the interest-rate environment (which influences property

SEGRO: FORWARD DIVIDEND YIELD



SEGRO's forward dividend yield of 4.7% is a premium valuation compared to peers and the UK listed property sector generally. However, SEGRO is well positioned for attractive growth if it capitalizes on its opportunities.

yields) and execution in the data centre build-out. For long-term investors, SEGRO's "Watts and Warehouses" portfolio is a high-quality compounder, especially at the right entry point.



SEGRO Airside Heathrow - Shoreham Road



Our next seminar will be held in June. As usual, we will review the first six months of the year and update our outlook for the remaining six months.

Topic: 2026: The first six months

Natal Midlands

Date: 4 June 2026
 Venue: Christ Church Howick, 23 Mare Street, Howick
 Morning Time: 10am for 10.30am
 Evening Time: 5.30pm for 6pm

Johannesburg

Date: 9 June 2026
 Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
 Time: 7am for 7.30am

Cape Town

Date: 11 June 2026
 Venue: Kelvin Grove Club, 144 Camp-ground Rd, Newlands, 7700
 Time: 7.30am
 Venue: Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town
 Time: 5.30pm for 6pm



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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.



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