

## Performance review continued

Update:  
Development

## What we said we would do

We expected to continue to develop out our land bank during 2023 and anticipated investing in excess of £600 million in development capex, including £100 million of infrastructure expenditure.

## What we achieved in 2023

2023 was another strong year of development completions. We completed 625,700 sq m of space, capable of delivering £50 million of new headline rent.

We spent £527 million on development capex, including £92 million on infrastructure. This was a little lower than our expectations and the residual capex is expected to be incurred in 2024.

## What to expect in 2024

We expect to invest approximately £600 million in development capex during 2024, including £150 million of infrastructure related to our UK big box logistics parks. The yield on cost for our development programme is expected to be between 7 and 8 per cent.

## Development completions

**625,700** sq m

2022: 639,200sq m

## Development capex

**£527**m

2022: £787m

## Current pipeline potential rent

**£51**m

2022: £67m

## Current pipeline yield on cost

**7.3%**

2022: 6.5%

## Potential rent from future pipeline

**£392**m

2022: £305m

## Embodied carbon

**348** kgCO<sub>2</sub>e/sq m

2022: 353 kgCO<sub>2</sub>e/sq m

Link to strategy:

**Disciplined capital allocation and operational excellence**



Disciplined capital allocation and Operational excellence are both key to the success of our development programme. They ensure that we deploy capital into the most profitable opportunities and into markets with the greatest long-term return potential, execute on our pipeline efficiently and safely, and build to the highest construction and sustainability standards.

Development completions delivered  
£50 million of potential headline rent

Development completions added 625,700 sq m of new space to the portfolio during 2023, generating £43 million of headline rent, with a potential further £7 million to come when the remainder of the space is let. The yield on total development cost (including land, construction and finance costs) is expected to be 7.0 per cent when fully let (excluding developments completed by third parties on a forward funded basis acquired at investment value).

We completed 478,800 sq m of big box warehouse space, including one of our last remaining plots at SEGRO Logistics Park East Midlands Gateway and across all of our major European markets, let to third-party logistics operators, retailers and manufacturers.

We completed 146,900 sq m of urban warehouses, including three data centres in Slough and industrial units in South London, Berlin, Cologne and Paris. The majority of these were developed speculatively and almost 80 per cent of the rent has already been secured.

During the year the contractor on one of our UK big box projects, Buckingham Contracting Group, entered administration. Our development team responded quickly to secure the scheme and liaise with our affected customers.

Thanks to our strong relationship with an alternative contractor we were able to restart works quickly. Although an inevitable consequence has been an increase in costs along with a short delay to the original delivery programmes, we have managed the impacts of this alongside our customers and have revised completion dates in place. Contractor failure is a supply chain risk we consider explicitly and it is managed in part through avoiding over-reliance on any single contractor.

Reducing embodied carbon in our development programme is critical to helping us achieve our net-zero targets and we continue to make progress in this area, reducing the carbon intensity of our developments to 348 kgCO<sub>2</sub>e per sq m during 2023. This represents a 13 per cent reduction from our 2020 baseline, meaning we are on course to achieve our science-based target of a 20 per cent reduction by 2030.

Almost all (99 per cent) of our eligible development completions during 2023 have been, or are expected to be, accredited at least BREEAM 'Very Good' (or local equivalent), with 92 per cent 'Excellent' or 'Outstanding'.

£71 million of potential headline rent  
currently under development or due to start shortly

At 31 December 2023, we had development projects approved, contracted or under construction totalling 415,200 sq m, representing £183 million of future capital expenditure to complete and £51 million of annualised gross rental income when fully let. 62 per cent of this rent has already been secured and these projects should yield 7.3 per cent on total development cost when fully occupied.

In the UK, we have 169,900 sq m of space approved or under construction. Within this are our first multi-level warehouse scheme in West London, two new data centres on the Slough Trading Estate (the second largest hub of data centres globally) and big box warehouses at our logistics park in Coventry.