STEPHENSON HARWOOD

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PROLOGIS / SEGRO: RECOMMENDED DEAL ANNOUNCED - WHAT BUSINESSES SHOULD BE DOING NOW

Prologis has now formally announced a recommended acquisition of SEGRO, valuing SEGRO at approximately £14 billion.[1] The proposed combination would create one of Europe's largest logistics and industrial real estate platforms – and a growing presence in datacentres, with approximately £200 billion of assets under management and a European operating portfolio of approximately 368 million square feet. Completion is currently expected in the first half of 2027, subject to shareholder, court and regulatory approvals.

The announcement marks a significant step forward in the transaction. The question is no longer whether a transaction may emerge, but how regulators will assess it and whether they will identify concerns requiring further investigation or remedies.

For occupiers, developers, logistics operators, competing landlords, investors and potential acquirers, now is the time to begin considering how the transaction could affect their commercial interests and whether they may wish to engage with the regulatory process.

REGULATORY APPROVALS WILL BE A CRITICAL WORKSTREAM

The Rule 2.7 announcement confirms that completion of the transaction is conditional upon obtaining a number of regulatory approvals, including:

+ European Commission merger control clearance;
+ UK Competition and Markets Authority ("CMA") clearance;
+ Italian foreign investment (Golden Power) approval; and
+ UK National Security and Investment Act ("NSIA") approval, where required.

The parties have also entered into detailed cooperation arrangements governing responsibility for regulatory filings, engagement with authorities and any remedies that may be required to secure clearance. Prologis has agreed to use best endeavours to obtain the relevant approvals, although it is not required to accept remedies that would have a material adverse effect on the combined business in the UK and EU.

This should not be viewed as a routine filing exercise. The parties themselves clearly anticipate meaningful engagement with competition and investment screening authorities.

[1] See: Recommended Combination - 07:00:01 04 Aug 2026 - 0KOD News article | London Stock Exchange

WHY COMPETITION SCRUTINY MAY MATTER

The transaction would combine two substantial logistics and industrial real estate portfolios across the UK and Europe. Prologis has stated that it expects the transaction to generate significant operational efficiencies and synergies while materially increasing its European footprint.

Competition authorities are therefore likely to focus on whether the merger could reduce competition, in particular in local or regional logistics markets.

In logistics real estate, competition concerns frequently arise at a local level rather than a national level. Occupiers often require facilities close to specific transport corridors, fulfilment centres, ports, airports, labour pools or customer locations. As a result, assets that appear geographically close may compete intensely, while assets located elsewhere may not represent realistic alternatives.

The most important issues may therefore concern local competitive dynamics, availability of alternative sites, barriers to development and expansion, and the extent to which Prologis and SEGRO currently constrain one another in particular locations.

IT IS NOT JUST A MERGER CONTROL STORY

One notable feature of the announcement is the breadth of regulatory approvals identified as conditions to completion. Alongside UK and EU merger control approvals, the transaction may also require review under foreign investment screening regimes, including the UK's NSIA and Italy's Golden Power regime.

Businesses with interests in logistics infrastructure, industrial assets, data centres, strategic landholdings or digital infrastructure should therefore consider both competition and broader regulatory issues when assessing the potential impact of the transaction.

The parties themselves place considerable emphasis on the importance of logistics infrastructure, urban warehousing, development sites and data centre assets as part of the strategic rationale for the combination.

WHAT SHOULD BUSINESSES BE THINKING ABOUT STRATEGICALLY?

Different stakeholders are likely to have different priorities.

Occupiers should consider whether the transaction could affect:

+ future site availability in key locations;
+ competitive tension during lease negotiations;
+ future expansion opportunities;
+ access to strategically important logistics corridors;
+ access to sites with particular technical specifications or transport connectivity; and
+ negotiating leverage in future lease renewals or relocations.

Developers and competing landlords may wish to assess:

+ where Prologis and SEGRO currently compete most closely;
+ whether the transaction could increase concentration in specific locations;
+ whether barriers to entry or expansion may be strengthened;
+ whether development land or pipeline projects could attract regulatory attention; and
+ whether the transaction could create opportunities if remedies are required.

Investors and potential acquirers may wish to consider:

+ whether any divestment opportunities could emerge;
+ which assets, development sites or geographic clusters would be strategically attractive;
+ acquisition funding requirements;
+ governance and investment approval processes; and
+ how to position themselves as credible purchasers if assets become available.

WHAT BUSINESSES SHOULD BE DOING NOW

Businesses that may be affected by the transaction should consider beginning work now, rather than waiting for regulators to launch formal investigations.

Practical steps include:

+ **Mapping relevant locations:** identify the logistics markets, urban hubs, transport corridors and development sites most important to your business.
+ **Assessing competitive overlaps:** consider where Prologis and SEGRO may currently compete most closely.
+ **Gathering contemporaneous evidence:** retain leasing documents, site searches, investment papers, pricing materials, board papers and market studies that demonstrate how competition operates in practice.
+ **Identifying potential concerns:** assess whether the transaction could affect pricing, choice, expansion plans or future development opportunities.
+ **Developing an engagement strategy:** consider whether your objective would be to support the transaction, raise concerns, influence remedies or position yourself for acquisition opportunities.
+ **Preparing for regulatory engagement**: stakeholders that begin analysing issues now are likely to be better positioned should regulators seek market feedback or launch formal consultation processes.

Experience suggests that contemporaneous business documents are often the most persuasive evidence in merger investigations.

POTENTIAL OPPORTUNITIES AS WELL AS RISKS

Not every stakeholder will approach the transaction from a defensive perspective.

Where regulators identify competition concerns, remedies may sometimes be required. Depending on the issues identified, this can include divestments of assets, development sites, land banks or other business interests.

It is far too early to predict whether remedies will ultimately be required in this case. However, investors, developers and operators with acquisition ambitions may wish to begin identifying strategically attractive assets and ensuring that internal approval processes can be mobilised quickly should opportunities arise.

HOW STEPHENSON HARWOOD CAN HELP

As explained, the transaction remains subject to a number of conditions, including merger control and foreign investment screening approvals in multiple jurisdictions. The timing and scope of any regulatory reviews remain uncertain, but the next key milestones are likely to include regulatory engagement with the European Commission, the CMA and relevant investment screening authorities, followed by any formal review processes that may result. We will continue to actively monitor developments closely and provide further updates as the transaction progresses, including on any formal investigations, opportunities for stakeholder engagement and any potential remedies or divestment processes that may emerge.

We can assist with:

+ assessing whether the transaction may affect your business;
+ analysing local market dynamics and competitive overlaps;
+ identifying markets most likely to attract regulatory scrutiny;
+ developing engagement strategies with competition and investment screening authorities;
+ preparing evidence and submissions to regulators;
+ responding to information requests and market testing exercises;
+ assessing potential remedy scenarios;
+ evaluating potential acquisition opportunities; and
+ positioning prospective purchasers as credible acquirers, should divestment opportunities emerge.

FINAL THOUGHT...

The Prologis / SEGRO transaction is now a live deal rather than a potential one. The parties have expressly made completion conditional upon obtaining merger control and foreign investment screening approvals, including European Commission, CMA, UK NSIA and Italian Golden Power clearances.

For businesses with significant exposure to logistics, industrial property or data centre markets, the time to begin assessing potential risks and opportunities is now. Early preparation can help stakeholders protect their interests, engage more effectively with regulators and position themselves to take advantage of opportunities that may emerge as the review process develops.

CONTACT US

MARTA ISABEL GARCIA
Partner
+ 44 20 7809 2141
marta.garcia
@stephensonharwood.com

CATRIONA BERMAN
Partner
+ 44 20 7809 2568
catriona.berman
@stephensonharwood.com

DAVID SINCLAIR
Partner
+ 44 20 7809 2025
david.sinclair
@stephensonharwood.com