

September 12, 2017



# FIBRA Prologis

Bank of America Merrill Lynch  
2017 Global  
Real Estate Conference

Izcalli 4, Mexico City

# Forward-Looking Statements / Non Solicitation

**This presentation includes certain terms and non-IFRS financial measures that are not specifically defined herein. These terms and financial measures are defined and, in the case of the non-IFRS financial measures, reconciled to the most directly comparable IFRS measure, in our first quarter Earnings Release and Supplemental Information that is available on our website at [www.fibraprologis.com](http://www.fibraprologis.com) and on the BMV's website at [www.bmv.com.mx](http://www.bmv.com.mx).**

The statements in this release that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which FIBRA Prologis operates, management's beliefs and assumptions made by management. Such statements involve uncertainties that could significantly impact FIBRA Prologis financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to rent and occupancy growth, acquisition activity, development activity, disposition activity, general conditions in the geographic areas where we operate, our debt and financial position, are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic climates, (ii) changes in financial markets, interest rates and foreign currency exchange rates, (iii) increased or unanticipated competition for our properties, (iv) risks associated with acquisitions, dispositions and development of properties, (v) maintenance of real estate investment trust ("FIBRA") status and tax structuring, (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings, (vii) risks related to our investments (viii) environmental uncertainties, including risks of natural disasters, and (ix) those additional factors discussed in reports filed with the "Comisión Nacional Bancaria y de Valores" and the Mexican Stock Exchange by FIBRA Prologis under the heading "Risk Factors." FIBRA Prologis undertakes no duty to update any forward-looking statements appearing in this release.

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*Alamar Industrial Center 3, Tijuana*

# FIBRA Prologis Key Differentiators

## Solid Track Record

- Leadership team with over 27-years of experience
- ~61% total stock return since IPO<sup>(1)</sup> or 15.6% CAGR
- ~29% growth in FMV of total operating portfolio (including acquisitions) and over 5% growth in FMV of just the IPO portfolio<sup>(2)</sup>

## Focused Investment Strategy

- Own industrial real estate in Mexico
- Investing in the six most dynamic markets
- Unique competitive advantage – proprietary access to acquire Prologis development pipeline at appraised values

## Irreplaceable Portfolio<sup>(3)</sup>

- Average age of 13 years
- 93% Class-A/A+ buildings
- 81% of buildings located in enclosed parks
- ~70% developed by sponsor Prologis

## Strong Balance Sheet

- Conservative leverage
- Liquidity emphasis provides increased flexibility



## Section 1

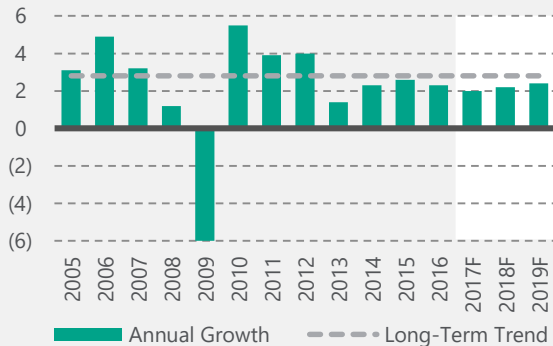
# Macroeconomic Indicators and Drivers of Demand

*Tres Rios 8, Mexico City*

# Market Fundamentals

## Real GDP Growth, Mexico

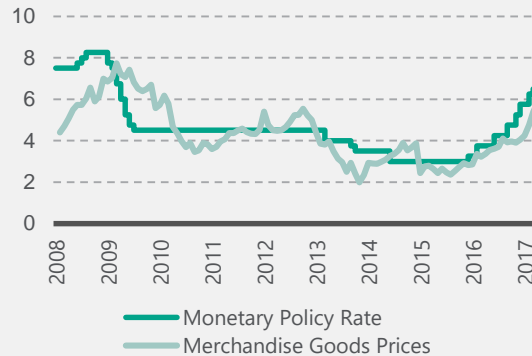
% Yr/Yr



Source: Consensus Economics, Prologis Research

## Inflation & Policy Rate, Mexico

% Monetary Policy Rate & Merchandise Goods Prices (Yr/Yr)

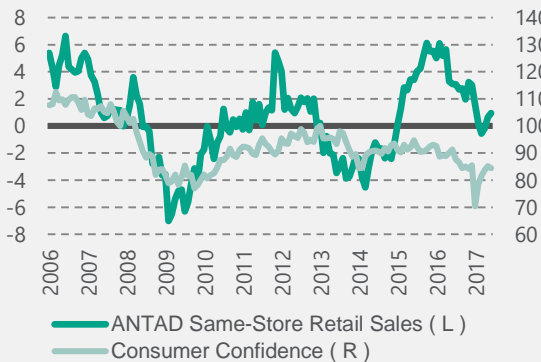


Source: FactSet, Prologis Research

## Consumer Indicators, Mexico

% Yr/Yr, real, 3M MA

Index, 3M MA

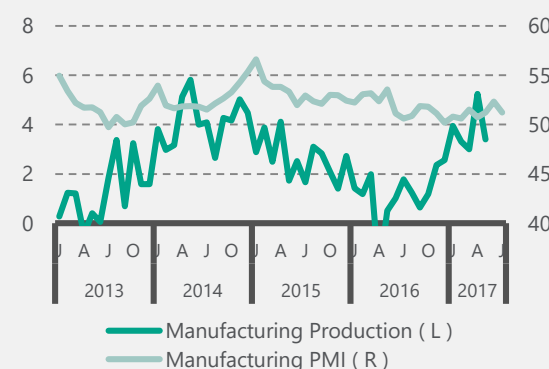


Source: ANTAD, INEGI, Prologis Research

## Business Indicators, Mexico

% Yr/Yr, SA

Index



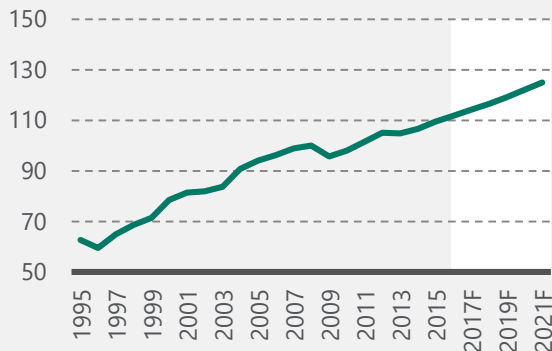
Source: FactSet, Prologis Research

- Mexican GDP forecast revised higher for 2017 and 2018
- Real-time financial market indicators among the strongest performing in the world<sup>(1)</sup>

# Structural Drivers Underpin Logistics Real Estate Demand

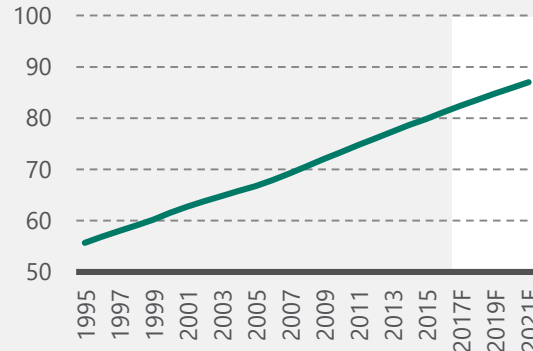
## Robust Retail Sales Growth

Index, 2008 = 100, 2008 Pesos



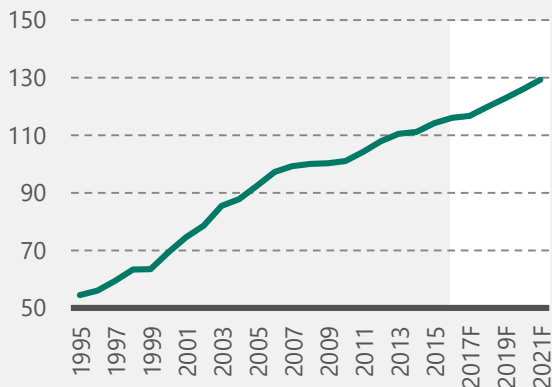
## Young & Growing Population

Working Age Population, Millions of People



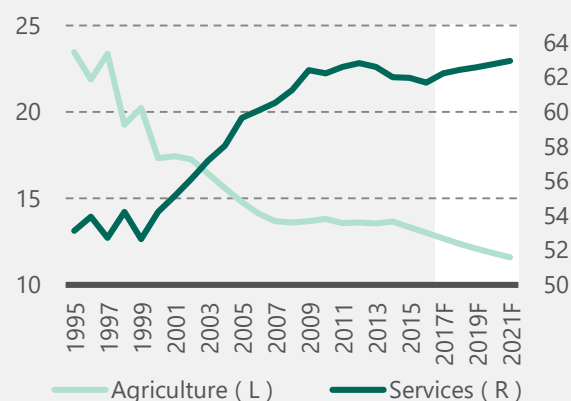
## Rising Consumer Class

Personal Disposable Income, Index, 2008 = 100, 2008 Pesos



## Growth in Higher Wage Sectors

% Ag. Jobs as a % of Total    % Services Jobs as a % of Total

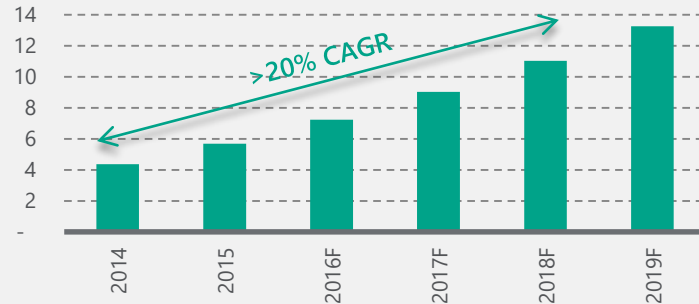


- Structural demand drivers can allow demand to remain positive and decoupled from cyclical macro crosscurrents
- Consumer purchases are the primary driver of the Mexican economy
- Structural trends include:
  - Young population base
  - Rising consumer class
  - Urbanization
  - E-commerce

# Demand for E-fulfilment Facilities in Mexico is Rising

## E-commerce a Rapidly Growing Sector

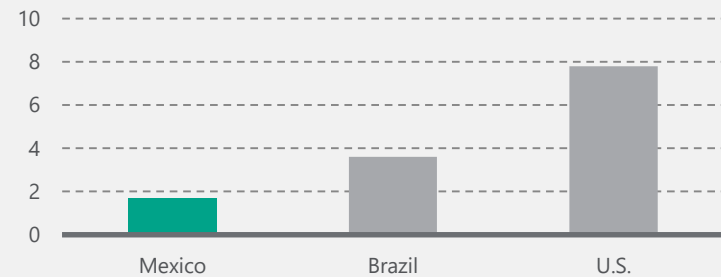
Mexico E-Commerce Retail Sales, USD, billions



Sources: eMarketer, Prologis Research  
Note: excludes travel and event tickets

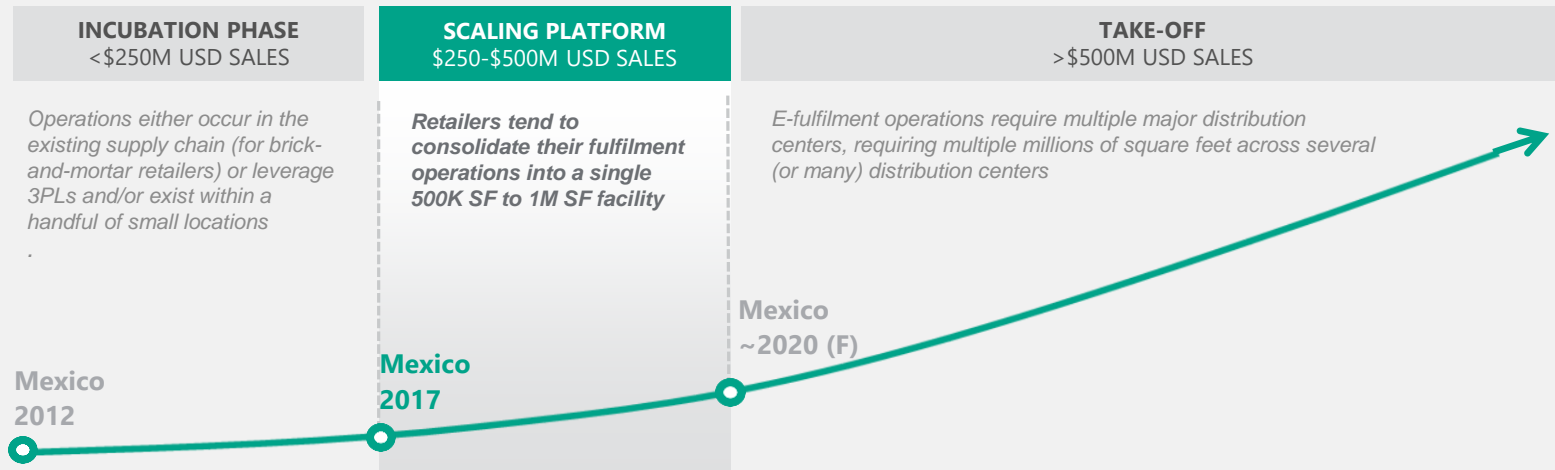
## Mexico E-commerce Sector in Early Stages

% Mexico E-Commerce Sales as a % of Total Retail Sales



Sources: eMarketer, Prologis Research  
Note: excludes travel and event tickets

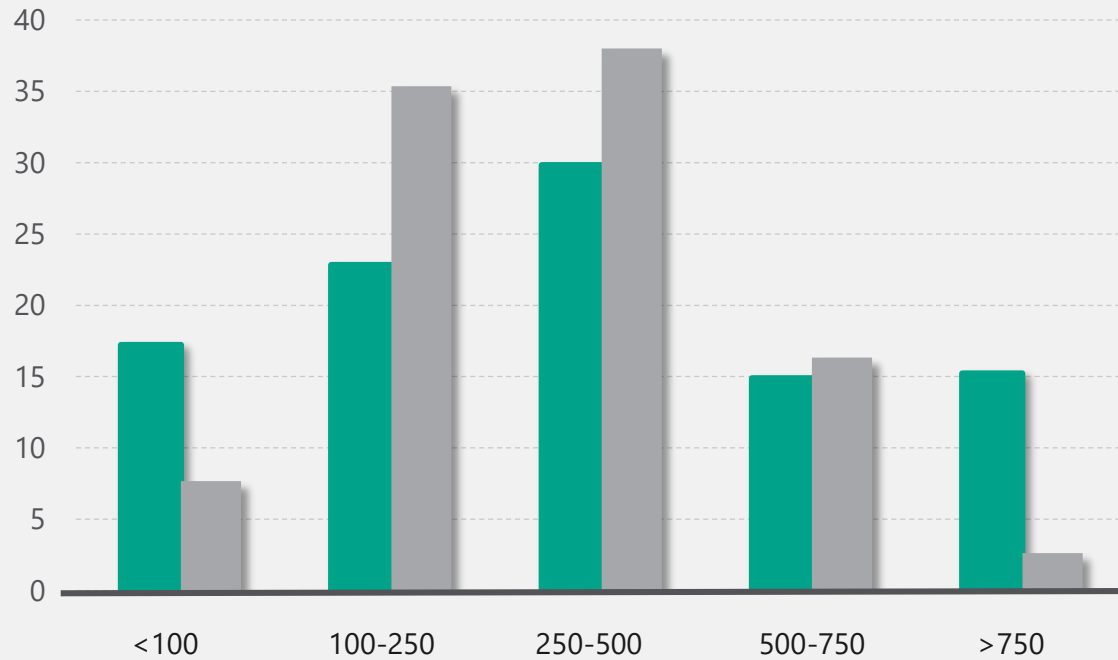
## The Largest E-Commerce Businesses in Mexico are Now Reaching Scale



# Diversity of E-Commerce Demand Requires Development

## Distribution of Global E-Commerce Leases by Unit Size vs. Mexico Market

% Share by Size Category in Thousands of SF



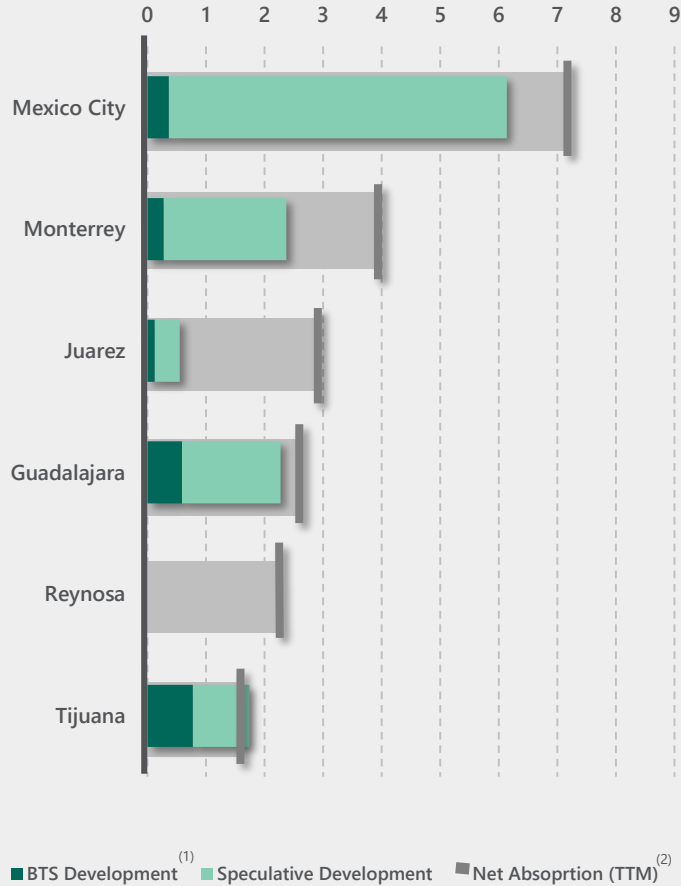
Legend: E-Commerce Leases in Prologis' Global Portfolio (teal), Prime & Core Assets in Mexico's Global Markets (grey)

- E-commerce in the early stages, but growing rapidly in Mexico
- E-commerce customers drive demand across all size categories globally, and could reduce demand risk for the asset class in Mexico in the future
- Undersupply of modern big-box distribution centers in the main consumer markets requires development

# Real Estate Fundamentals

## Demand vs Supply

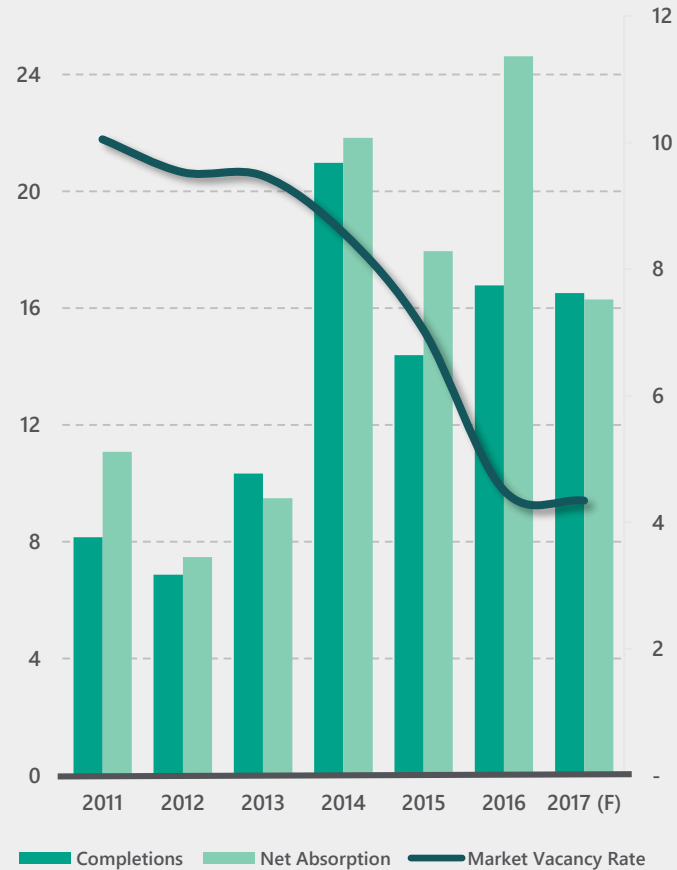
(MSF)



Sources: CBRE, NAI, Prologis Research

## Market Fundamentals

(MSF)  
(%)



Sources: CBRE, Prologis Research

- Demand expected to match incoming supply in 2017
- Supply near the U.S. border remains constrained, as some developers are holding off on speculative development until there is more certainty
- Demand in the last four quarters totaled 20.4 MSF, driving the national vacancy rate down by 170 bps to a new record of 3.9%
- Mexico City's market vacancy for Class-A product reached an all-time low of 1.0% and is among the lowest vacancy in the world.
- Scarcity of available modern product is driving customers to sign pre-leases on speculative supply currently under construction in Mexico City

## Section 2

# Operating Portfolio & Performance

*Prologis Park Centro Industrial, Ciudad Juarez*

# Unmatched Portfolio Focused in the Top Consumption and Manufacturing Markets



97.3%

occupancy

+120 bps

outperformance vs market occupancy<sup>(1)</sup>

34.2

million square feet

194

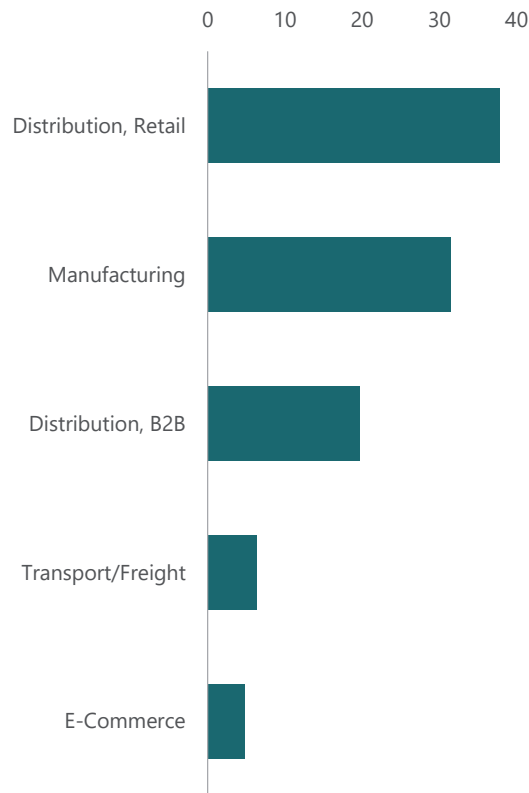
operating properties

# Diversified Customer Base

## Mexico Customer Characteristics

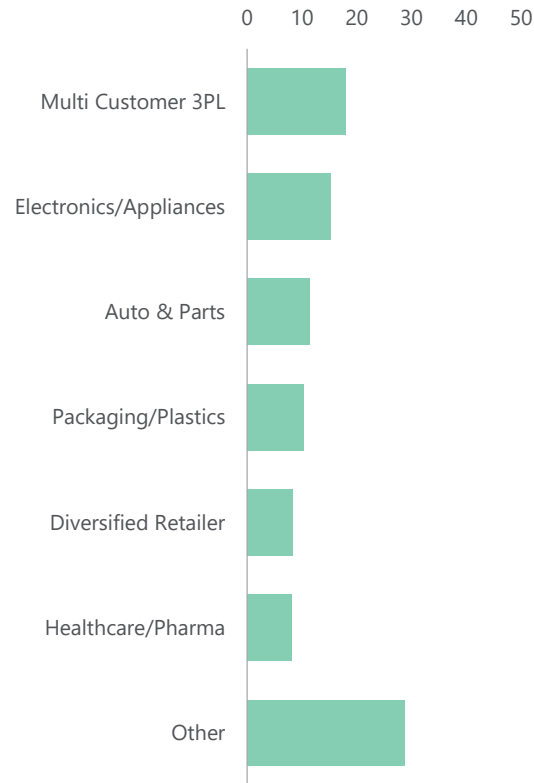
### Customer Activity

(%, NRA basis)



### Customer Industry

(%, NRA basis)



Our top 10 customers represent just

**18%**

of net effective rent

Data as of June 30, 2017; Prologis Research

Note: Industry classifications do not sum to 100%; the balance (13%) is ascribable to units where 3PL customers have more than one industry type present

# Serving the World's Best Brands

## Consumption Markets



## Manufacturing Markets



234 customers in Mexico have

337 leases with FIBRA Prologis and

another 533 leases with Prologis

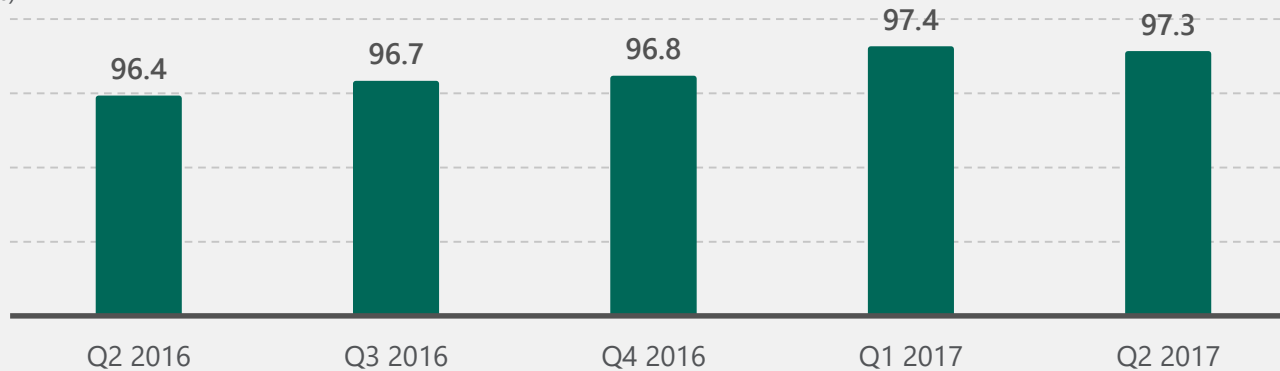
81% of FIBRA Prologis' customers are multinational companies<sup>(1)</sup>

Data as of June 30, 2017;  
1. As percentage of net effective rent

# Solid Performance in 2017

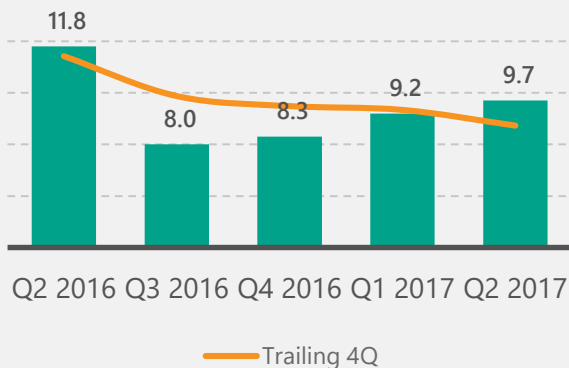
## New Record Period-End Occupancy

(%)



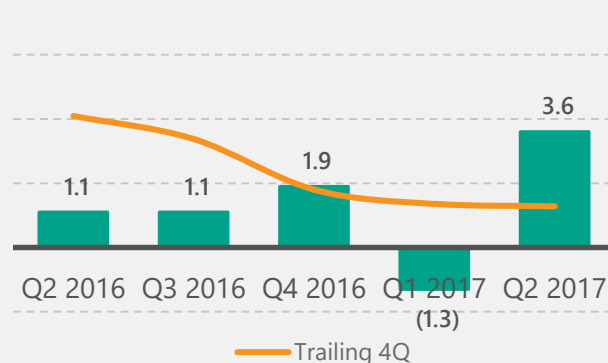
## Positive Rent Change on Rollover Expected to Continue in 2017

(%)



## Cash Same Store NOI Growth Subdued by Peso Devaluation

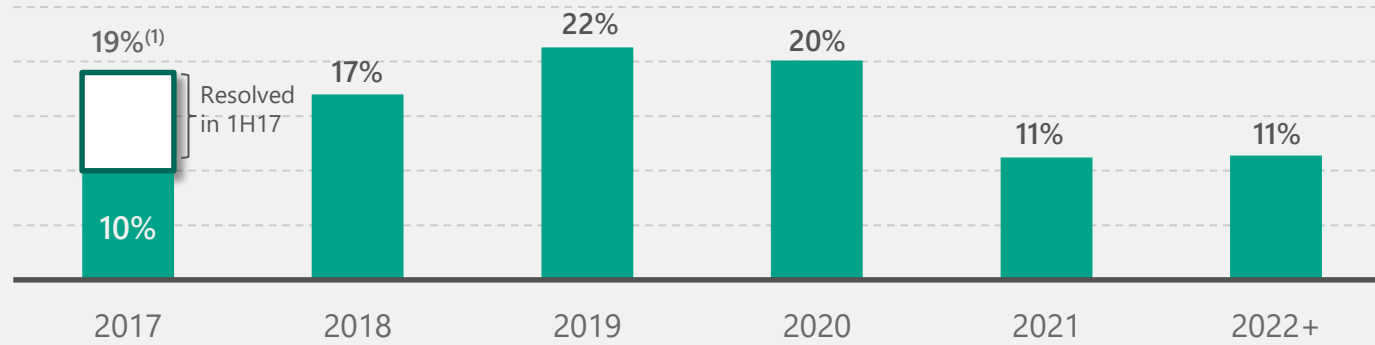
(%)



- Leasing volume was 3.6 million square feet in the first half
- Period-end occupancy continued at a high level at 97.3%
- Positive rent change continues to drive our internal growth
- Cash SSNOI has a increase of 250 bps year-over-year driven by the occupancy, releasing spreads and contractual rent bumps

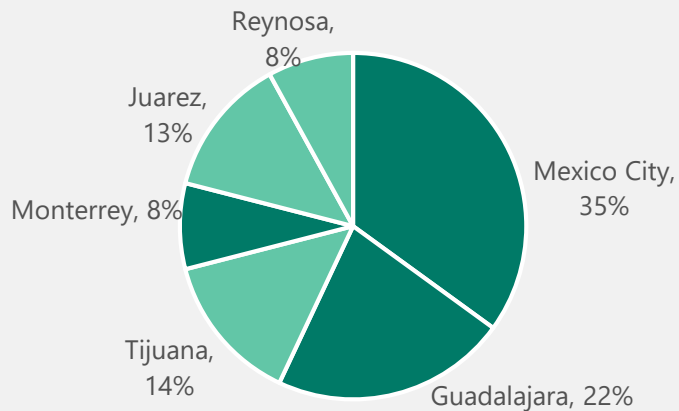
# Embedded Earnings Potential from Harvesting the Gap between In-place Rents and Market Rents

## Lease Expiry Profile by Annualized NER

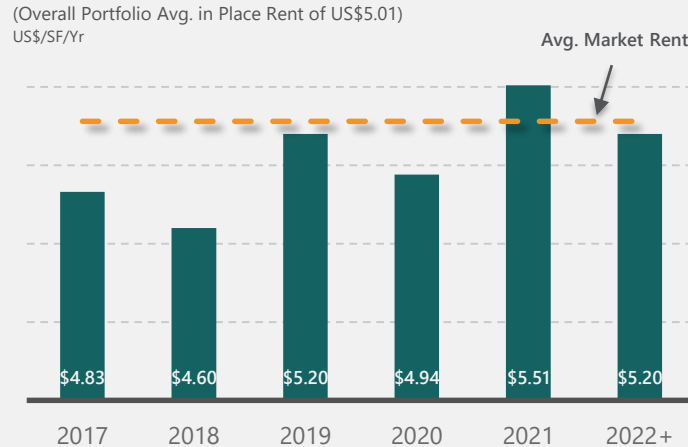


- In-place rents for the total portfolio remain ~4.9%
  - 2018 expirations are ~9% below market
- ~75% of leases contain contractual annual rent increases of ~2.5%
- ~25% of leases contain annual escalators tied to Mexican CPI

## 2017 & 2018 Expirations by Market

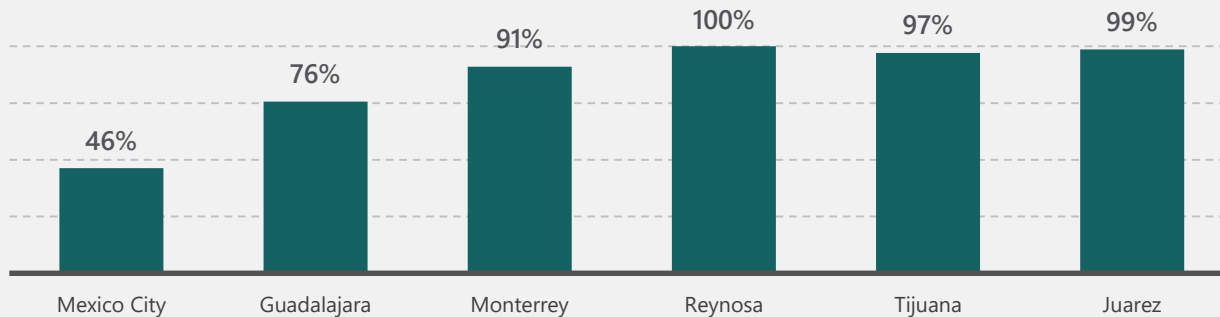


## Average In-Place NER Rate of Lease Expiry Profile

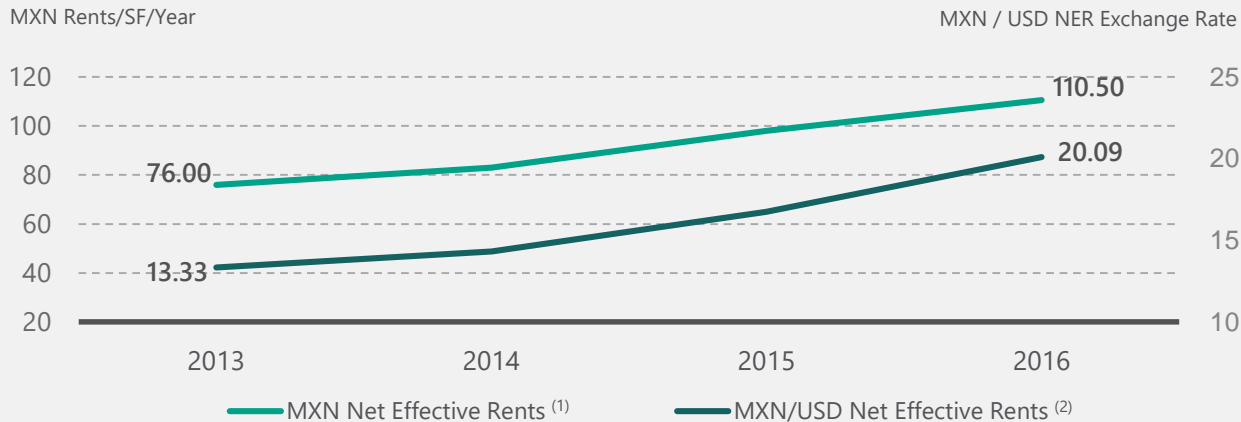


# 75% of Revenues are in U.S. Dollars

% of FIBRA Prologis USD Revenue by Market



Avg. Lease Rents Signed in Mexico City



- Customers requests for peso leases has declined significantly given the recent stabilization in the exchange rate and higher Mexican inflation
- All new peso leases have been signed with rent increases of at least the peso devaluation, protecting revenues in dollar terms
  - 69% growth in peso rents (2013-2016) for prime assets in Mexico City
  - Over the same time period, peso weakened by 47%
- With the use of forward contracts, 85% of cash flow is in U.S. dollars

## Section 3

# External Growth



*Prologis Park Apodaca, Monterrey*

# External Growth: Identified Future Growth Acquisitions

## External Growth via Prologis Development Pipeline



## Prologis Land Bank Based on Buildable SF

(MSF)



■ Mexico City ■ Monterrey ■ Reynosa ■ Juarez

## Unique Competitive Advantage by having:

- Proprietary access to Prologis development pipeline at market values
- Exclusive right to third-party acquisitions sourced by Prologis
- 28% growth potential in the next 3 to 4 years
- Prologis development pipeline is 82% leased or pre-leased:

	GLA (MSF)	% Leased
Mexico City	1.4	76%
Guadalajara	0.5	79%
Monterrey	0.9	89%
Reynosa	0.3	100%
<b>Total</b>	<b>3.1</b>	<b>82%</b>

# Potential Future Investments

## Prologis Park Grande

- Location: **Mexico City**
- Land Size: **212.3 acres, 9.3 MSF**
- Potential Build Out: **2.9 MSF**
- Fully leased: Buildings 1, 3, 4, 7 and 8 (**2.2 MSF**)
- Built: Buildings 3, 4 and 8 (**0.9 MSF**)
- Built and partially leased: Building 6 (**0.3 MSF**)
- Under construction: Building 1 (**1.0MSF**)

## Unique Competitive Advantage:

- State of the art logistics park focused on e-commerce customers and consolidation of 3PL customers
- Strategically located in the land constrained premier Class-A building corridor of Mexico City



## Section 4



*Del Norte Industrial Center, Reynosa*



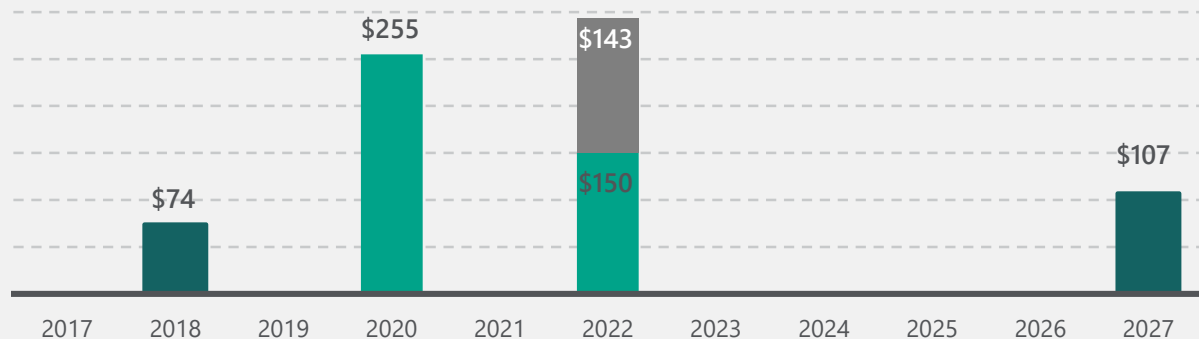
# Capital Structure

# Disciplined Balance Sheet Management

## Debt Maturity Schedule

(Debt = US\$733M)  
(US\$ in millions)

WAT 3.3 years  
WAR<sup>(1)</sup> 4.0%



Cash Interest Rate<sup>(1)</sup>:

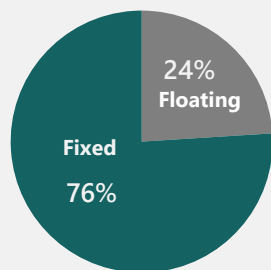
2017	---	5.0%	---	3.5%	---	3.5%	---	---	---	---	---	4.7%
------	-----	------	-----	------	-----	------	-----	-----	-----	-----	-----	------

■ Secured Debt

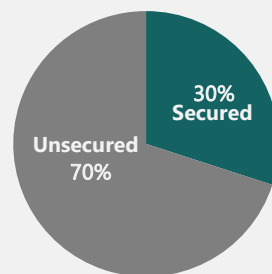
■ Unsecured Debt

■ Unsecured LOC

## Fixed vs. Floating Debt



## Secured vs. Unsecured Debt



- All debt issued in USD
- Capital Structure<sup>(1)</sup>:
  - Loan-to-value: 33.1%
  - Liquidity: US\$380M<sup>(2)</sup>
  - Fixed coverage: 4.22x
  - Debt to adj. EBITDA: 5.21x
- On July, 2017 we completed the following transactions:
  - US\$150.0M unsecured term loan
  - US\$325.0M unsecured credit facility with a US\$150.0M accordion feature
- After completing 2017 transactions, our overall cost of debt decreased 100bps to 4.0%

Data as of June 30, 2017

1. In July 2017, we repaid US\$255M former unsecured debt facility. Schedule is adjusted to reflect the impact on new cost of debt, LTV and Liquidity after the repayment.

2. Liquidity after the repayment of US\$255M and completion of new credit facility is comprised of US\$10M of cash, US\$220M from the undrawn unsecured credit facility and US\$150M accordion feature of the unsecured line of credit

## Section 5

# Distributions & Valuation

Izcali 4, Mexico City

# Distribution Growth Potential Beyond 2017

## Internal Growth Drivers

- Positive demand / supply imbalance and record low vacancy of 4% should continue to push market rents higher
- Portfolio is ~4.9% below market and ~20% expires annually

## External Growth Drivers

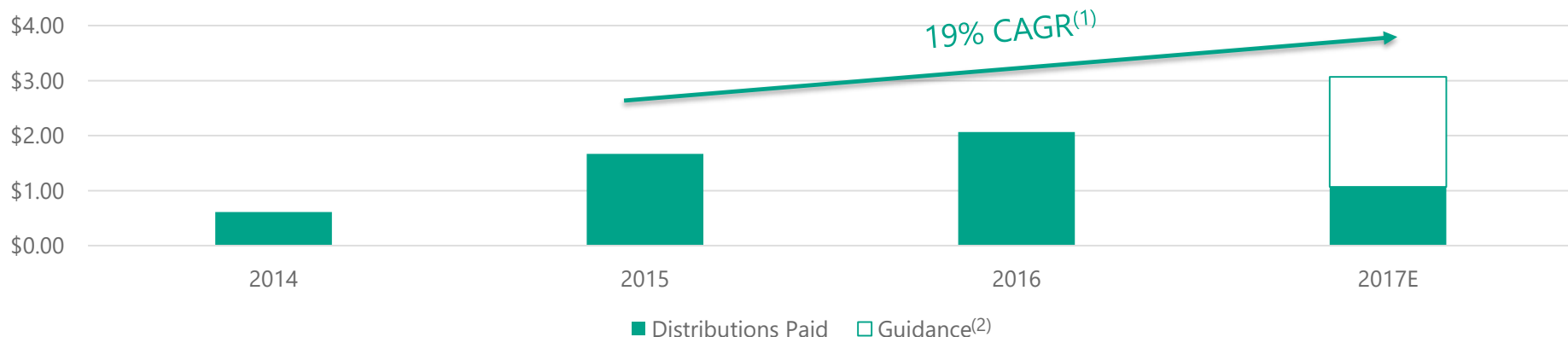
- Exclusive right to 3.1MSF of Prologis development, at appraised value, plus Prologis land bank could support another 6.4MSF

## Interest Savings

- Refinancing completed in 2017 lowered weighted average interest cost by ~90 basis points

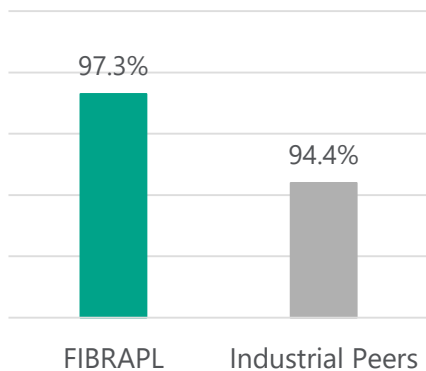
## Distributions per CBF1

Mexican Pesos

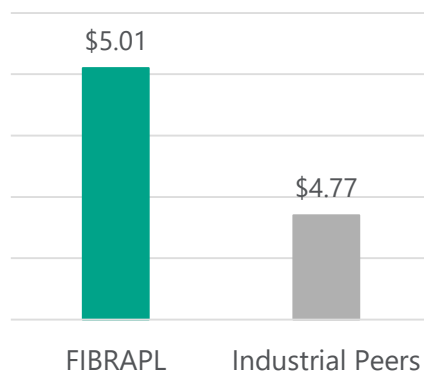


# Compelling Valuation

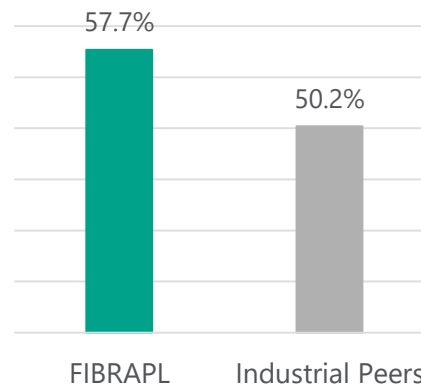
## Occupancy



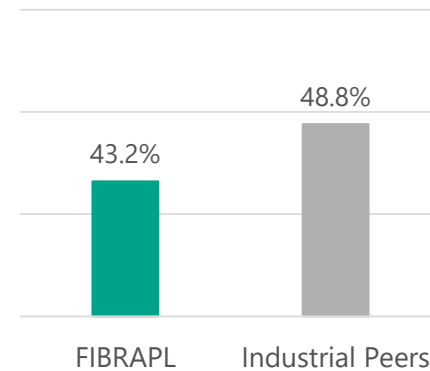
## In-Place Rent per SqFt



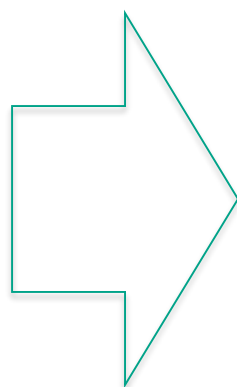
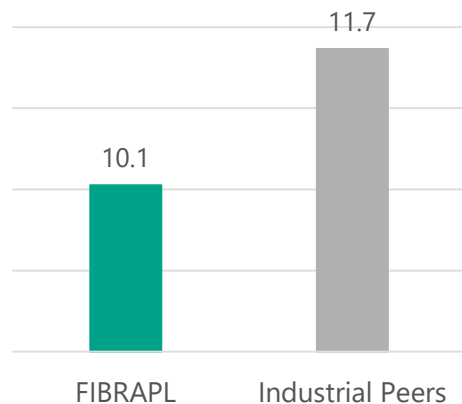
## FFO Margin



## AFFO Margin



## Price to FFO<sup>(1)</sup>



1.6X or  
Ps\$5.50 / share

Just to trade in-line with the industrial peer set, despite FIBRA Prologis having stronger occupancy, higher in-place-rents and FFO margin

# Delivering Results



FIBRA Prologis has:

- Superior organic growth
- Unparalleled external growth potential
- Reliable and sustainable cash flow
- Disciplined balance sheet management
- Strong corporate governance

*Ladero 1, Intermodal Facility, Mexico City*



# Appendix

# Business with High-Profile Customers



## Prologis Tres Rios Industrial Park:

- Location: **Mexico City (Northern CTT Corridor<sup>(1)</sup>)**
- Net Rentable Area: **2.7MSF**
- Market Rents: **US\$5.60 - US\$5.70/SF/Yr**
- Occupancy: **100%**
- Average Building Age: **6 years**
- Average Remaining Lease Term: **2.0 years**

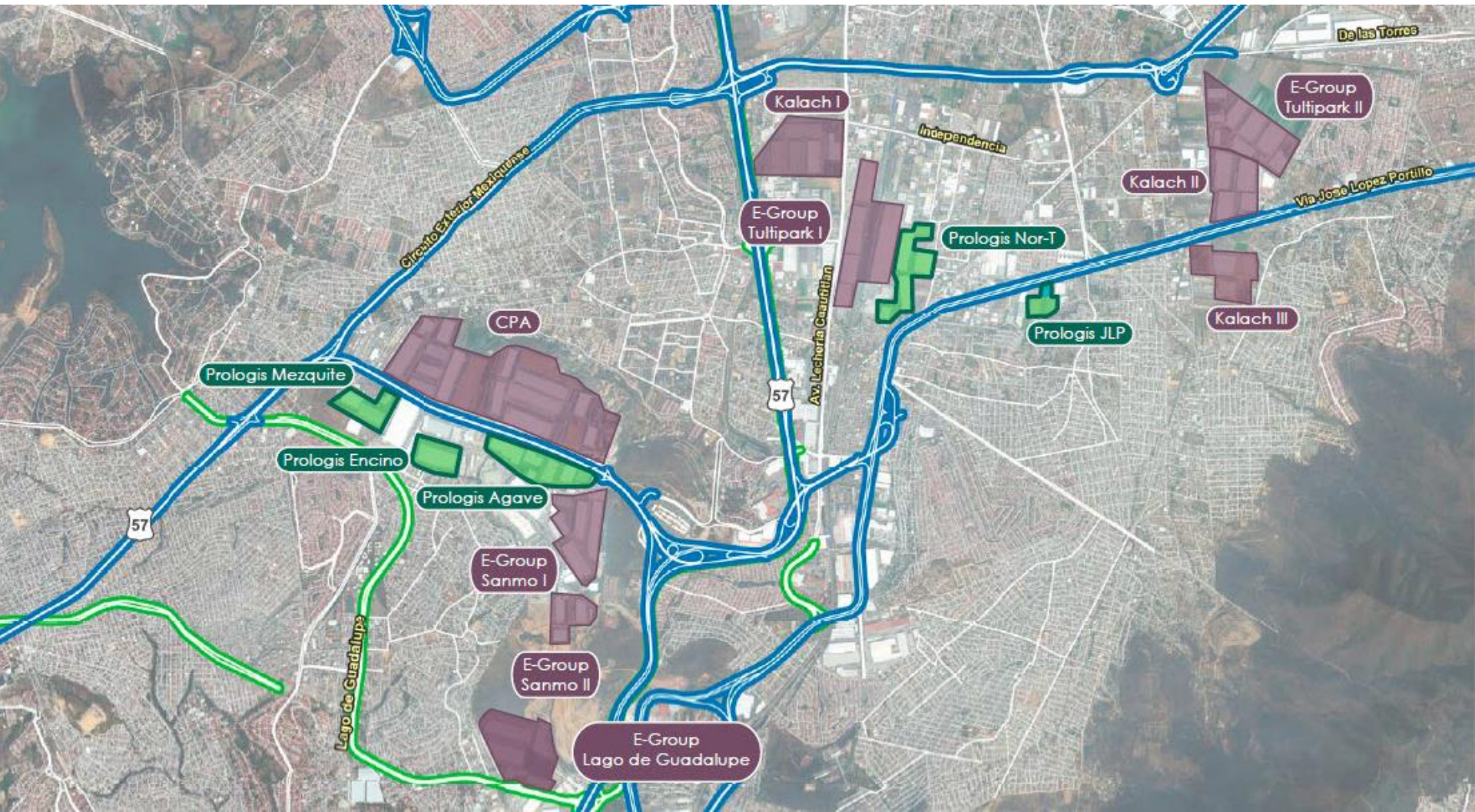
## Unique Park Features:

- Infill location in a sub-market with land scarcity
- Enclosed park provides unique security feature to our customers
- Recently developed logistic park that complies with global industry standards
- Location and product quality provide our customers opportunity to improve operating efficiencies

# Northern CTT Corridor<sup>(1)</sup>



# Southern CTT Corridor<sup>(1)</sup> and San Martin Obispo Corridor



# Sustainability / Social Responsibility



WE CARE



Over 10% of FIBRA Prologis' Portfolio is LEED Certified and 100% of new development by sponsor, Prologis, is built to LEED Certification

# Fee Structure – Transparent and Aligned

	Fee Type	Calculation	Payment Frequency	
Operating Fees	Property Management	3% x collected revenues	Monthly	
	Leasing Commission	New leases: 5% x lease value for >5 years Renewal: 2.5% x lease value for >5 years <i>Only when no broker is involved</i>	½ at closing ½ at occupancy	
	Development Fee	4% x property and tenant improvements and construction cost	Project completion	
Administration Fees	Asset Management	0.75% annual × appraised asset value	Quarterly	
	Incentive	Hurdle rate	9%	Annually at IPO anniversary
		High watermark	Yes	
		Fee	10%	
		Currency	100% in CBFIs	
		Lock up	6 months	

# FIBRA Prologis Management Team



## Luis Gutiérrez

Chief Executive Officer

Mr. Gutierrez has been in the real estate sector since 1989. In addition to CEO of Prologis Property Mexico, Mr. Gutierrez is President for Latin America for Prologis where he is responsible for all Brazil and Mexico related activities including operations, investments, acquisitions and industrial property development. Mr. Gutierrez was co-founder of “Fondo Opcion” (formerly G. Accion), the first public real estate company in Mexico, where he acted as Chief Executive Officer. He is a member of the Board of Directors of Finaccess and Central de Estacionamientos. He also served as President of the AMPIP (The Mexican Association of Private Industrial Parks) from 2005 to 2006. He is currently the President of the Technical Committee of FIBRA Prologis. Mr. Gutierrez has a Civil Engineering degree from Universidad Iberoamericana and an MBA from IPADE Business School.



## Hector Ibarzabal

Chief Operating Officer

Mr. Ibarzabal has been in the real estate sector since 1988, including office, industrial, retail, and residential sectors. Mr. Ibarzabal’s experience includes real estate structuring, financing and fund raising. As Country Manager and Head of Operations in Mexico for Prologis, Mr. Ibarzabal has substantial experience managing Prologis’ activities in Mexico, including development, operations and capital deployment. Previous to Prologis, Mr. Ibarzabal was co-founder of G. Accion, a publicly traded real estate company, where he acted as CFO, COO and President. He is currently a member of the technical committee of Prologis Mexico Fondo Logistico, another Mexican industrial real estate investment vehicle managed by an affiliate of Prologis, a member of the board of directors of Actinver Fondos and SARE. He is Vice President of AMPIP. Mr. Ibarzabal has a Civil Engineering degree from Universidad Iberoamericana and an MBA from IPADE Business School.



## Jorge Girault

Chief Financial Officer

Mr. Girault has been in the real estate sector since 1994, including office, industrial, retail and residential sectors. His experience includes real estate structuring, financing and fund raising. Mr. Girault has significant experience managing Prologis’ equity and debt raising activities, and is an officer of Prologis Mexico Manager, S. de R.L. de C.V., manager of Prologis Mexico Fondo Logistico, another Mexican industrial real estate investment vehicle managed by an affiliate of Prologis. Mr. Girault started his professional career at G. Accion, where he acted as Project Manager, Investor Relations VP and CFO. He is currently a member of the technical committee of Prologis Mexico Fondo Logistico and is a part time professor at Business School of Universidad Iberoamericana. Mr. Girault has an Industrial Engineering degree from Universidad Panamericana and an MBA from Universidad Iberoamericana.

