

09.07.17

# Prologis

## Evercore ISI Real Estate Conference

Prologis Park Port Reading, Jersey City, New Jersey

# Forward-Looking Statements

**This presentation includes certain terms and non-GAAP financial measures that are not specifically defined herein. These terms and financial measures are defined and, in the case of the non-GAAP financial measures, reconciled to the most directly comparable GAAP measure, in our second quarter Earnings Release and Supplemental Information that is available on our investor relations website at [www.ir.prologis.com](http://www.ir.prologis.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).**

The statements in this document that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which we operate as well as management's beliefs and assumptions. Such statements involve uncertainties that could significantly impact our financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and 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, development activity and changes in sales or contribution volume of properties, disposition activity, general conditions in the geographic areas where we operate, our debt, capital structure and financial position, our ability to form new co-investment ventures and the availability of capital in existing or new co-investment ventures — 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 status, tax structuring and income tax rates (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings, (vii) risks related to our investments in our co-investment ventures, including our ability to establish new co-investment ventures and funds, (viii) risks of doing business internationally, including currency risks, (ix) environmental uncertainties, including risks of natural disasters, and (x) those additional factors discussed in reports filed with the Securities and Exchange Commission by us under the heading "Risk Factors." We undertake no duty to update any forward-looking statements appearing in this document. The materials do not constitute an offer to sell or the solicitation of an offer to buy any securities. Unless stated otherwise, all information in this document is as of June 30, 2017.



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Prologis Park Osaka #2, Osaka, Japan



## Section 01

# Why Logistics Real Estate

*Prologis Park Isle d'Abeau, Lyon, France*



# We are Essential to the Global Supply Chain



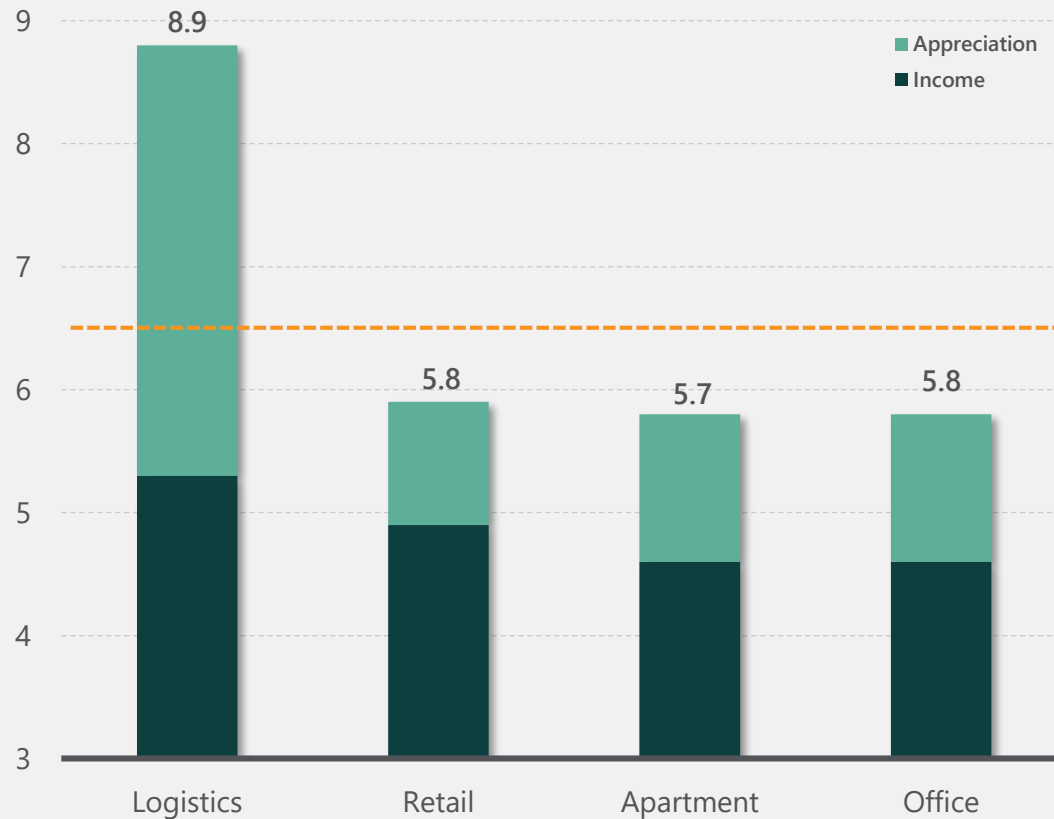
*Prologis Suzhou Xuguan Logistics Center, East China*

- World's leading owner, operator and developer of logistics real estate
- We build, lease and operate distribution space to facilitate the flow of goods around the world
- Our irreplaceable portfolio is concentrated in population centers where consumption and supply chain reconfiguration drive logistics demand
- The world's best brands choose to partner with us
- Principally an owner/operator in the U.S. and an asset manager/developer outside the U.S.

# Logistics Real Estate Delivers Consistent Returns

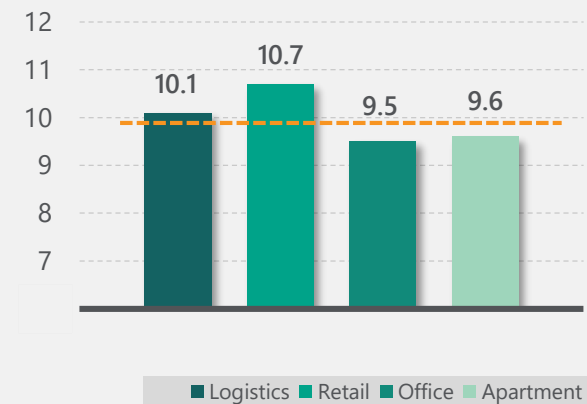
## Total Returns Forecast, 2017E

% , unleveraged pre-fee and before tax



## 1996-2016

%



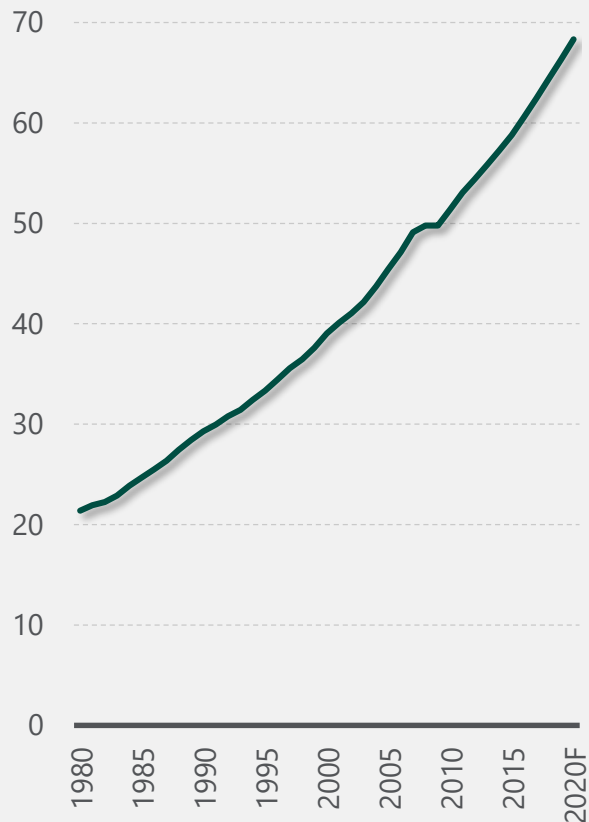
Logistics is projected to be the highest-performing asset class in 2017

Historically, logistics consistently delivered one of the highest returns and had one of the lowest standard deviations

# Logistics Real Estate is a Growth Industry

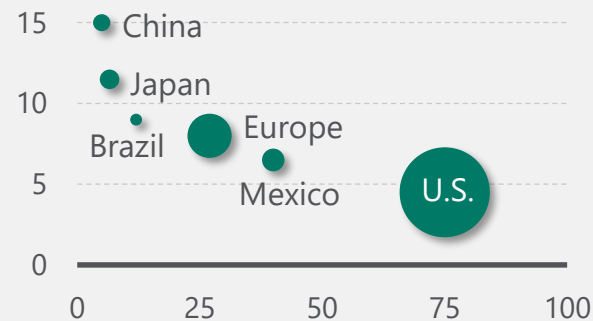
## Consumption, Global

Trillions, Inflation Adjusted 2015 Dollars



## Supply Chain Reconfiguration

Normalized Demand Growth % vs. Modern Stock per Consumer Household



## Reversal in Inventory to Sales Ratio

Ratio, Inventories to Retail Sales



Consumption is the largest share of economic activity and outperforms across economic cycles

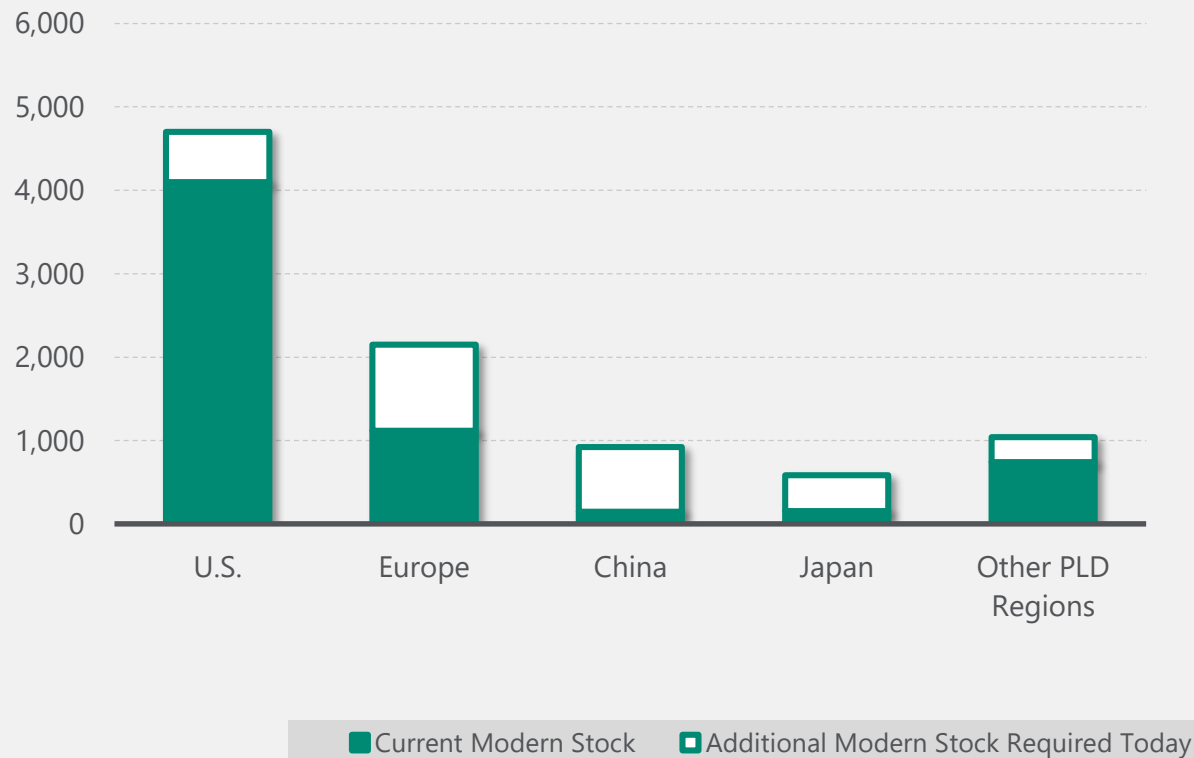
Supply chains are becoming mission critical, driving an increase in the demand for logistics space

New trends in how inventories are carried could be a tailwind to demand

# Significant Opportunity

## Modern Logistics Space

Square Feet, Millions

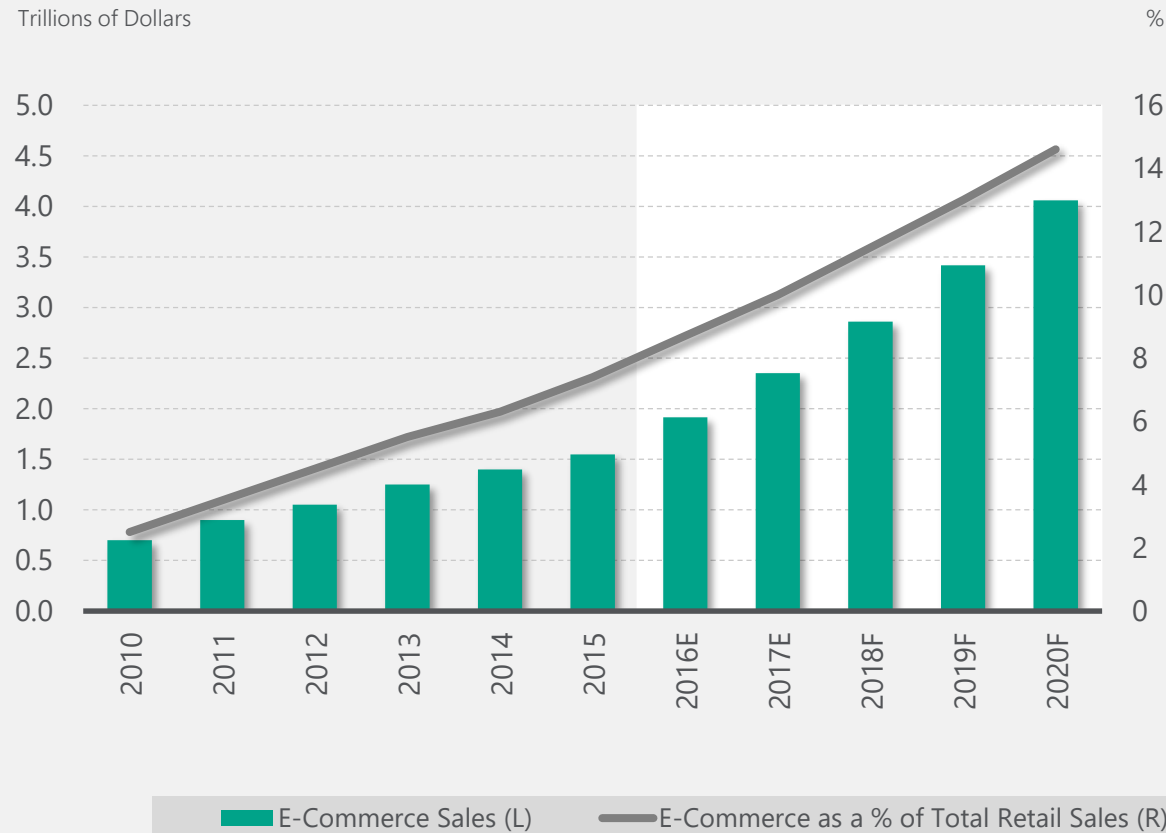


Opportunity to increase modern stock by  
**3 Billion SF**  
and  
**\$325 Billion**  
of new potential investment



# Significant Shift As Adoption Rate Increases

E-Commerce Sales, Global  
Trillions of Dollars





## 162%

projected growth of e-commerce sales from 2015-2020

- 130% shift to e-commerce
- 16% inflation
- 16% real growth in sales

# E-Commerce Requires +/-3x Floor Space

	Sales US\$, B	Facilities SF, M	Productivity US\$ / SF	Efficiency SF / \$1B
 Online	\$164B	207	\$791	1,265 KSF
 Brick & Mortar	\$1,303B	561	\$2,321	430 KSF

**+/-3x**



E-fulfillment requires 3x the logistics space used by brick-and-mortar retailers due to:

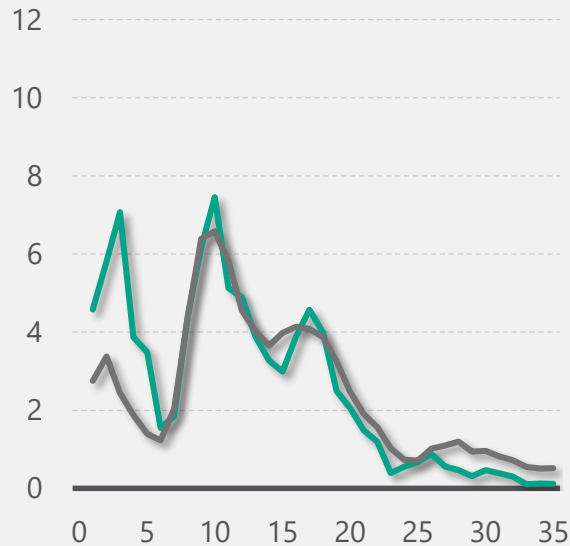
- Shipping parcels versus pallets
- High inventory turn levels
- Broader product variety
- Reverse logistics = returns



# Not All E-Commerce Facilities Are New or Large

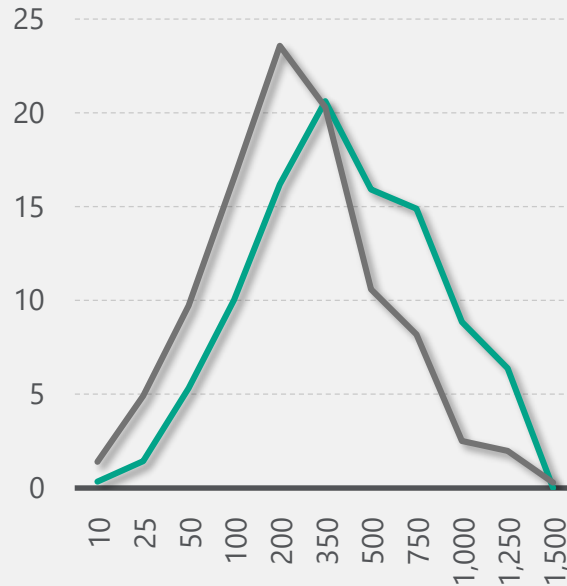
## Distribution of Leases by Building Age

%, Share of Prologis Global Portfolio  
Global by Age



## Distribution of Leases by Unit Size

%, Share of Prologis Portfolio,  
Global by Size Category in Thousands SF



140,000 SF

average unit size for  
e-commerce customers

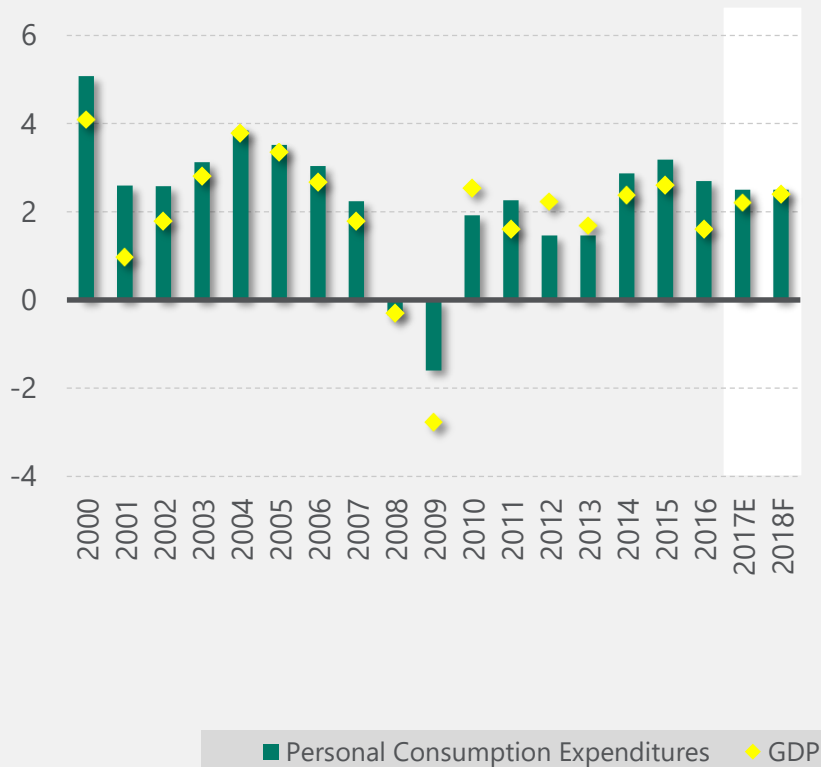
17 years

average building age for  
e-commerce customers

# Other Segments of the Economy Outperforming

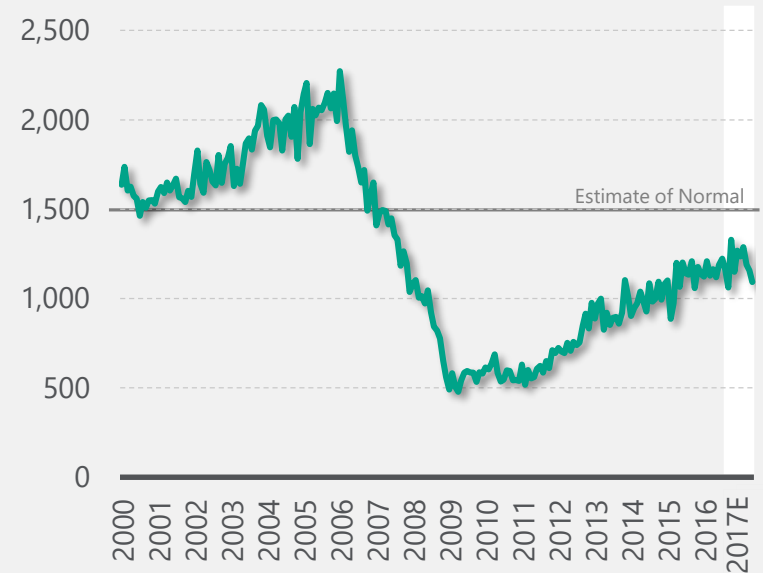
## Consumption vs. GDP, U.S.

% y/y, Inflation Adjusted



## Housing Starts, U.S.

Thousands, New Privately Owned Housing Units Started, Monthly, SAAR

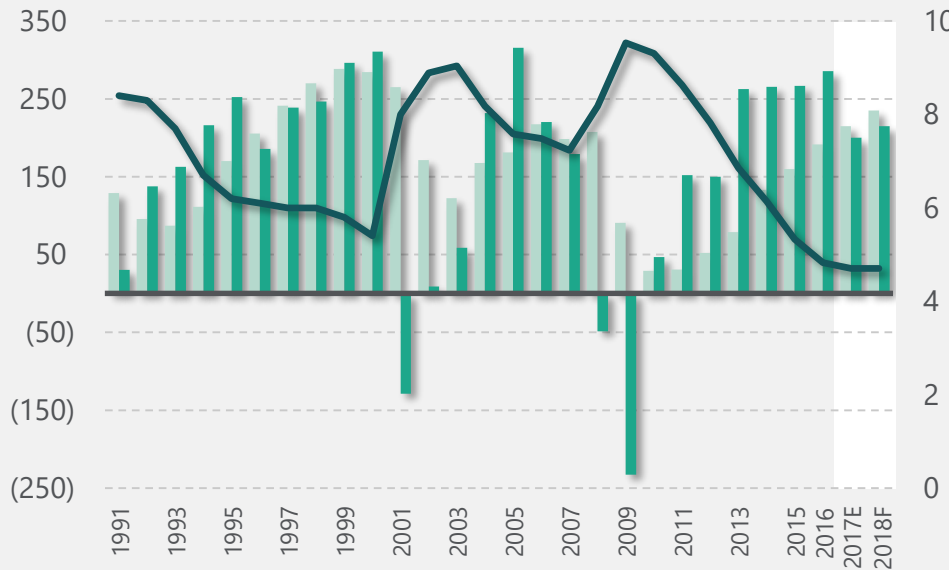




# Vacancies At or Near All-Time Lows

## U.S.

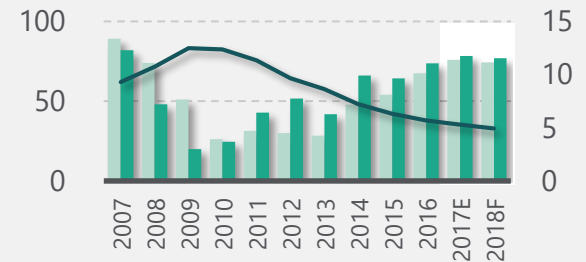
Square Feet, Millions



Completions (L) Net Absorption (L) Vacancy Rate (R)

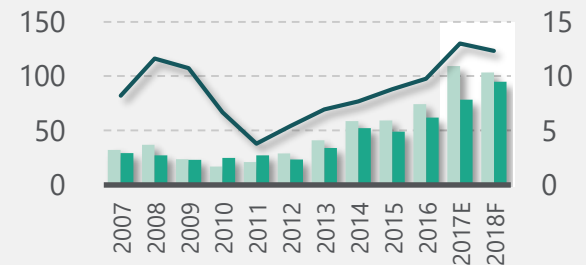
## Europe

Square Feet, Millions



## Asia

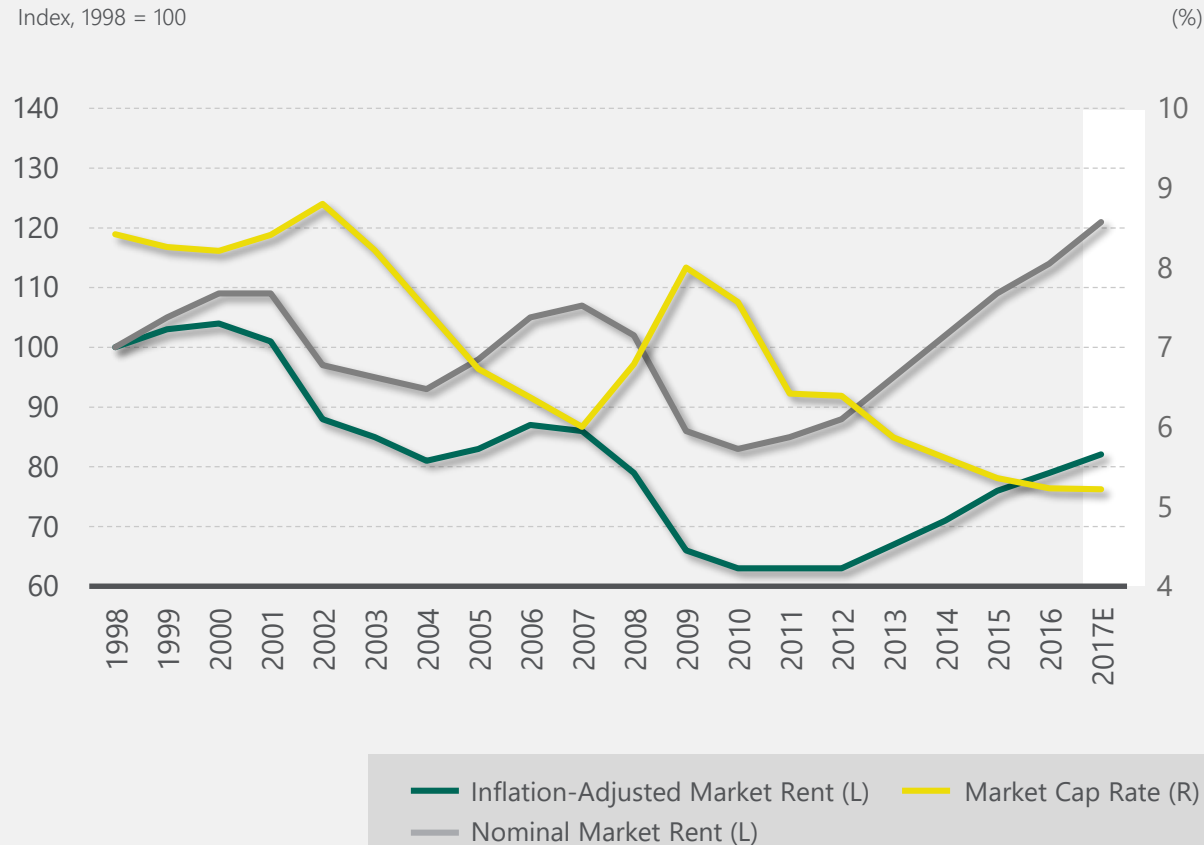
Square Feet, Millions



# Logistics Rental Rate History

## Market Rents, Global

Index, 1998 = 100



The structural decline of cap rates mitigated rent growth

Inflation-adjusted market rent growth still well below the prior peak



## Section 02

# Why Prologis

Prologis Torrance Distribution Center, Torrance, California



# World's Leading Owner, Operator and Developer of Logistics Real Estate



*Prologis Park Bolton, Toronto, Canada*

- Our business draws on consumption, trade, supply chain modernization and e-commerce
- Irreplaceable portfolio focused on the world's most vibrant markets
- Longstanding relationships with broad group of customers and premier institutional partners
- Strong financial framework optimized for the future
- Business model uniquely designed to deliver superior results

# Prologis at a Glance

FOUNDED IN

1983

ASSETS UNDER MANAGEMENT

\$72B

GLOBAL

100

MOST SUSTAINABLE CORPORATIONS

684 MSF

ON FOUR CONTINENTS

NYSE: PLD

S&P 500 MEMBER

CREDIT RATING OF

A3/A-

# Serving the World's Best Brands

amazon

DHL

Walmart



GEODIS



HITACHI



PEPSICO

DSV

日本通運  
NIPPON EXPRESS



KUEHNE+NAGEL

XPO Logistics

APL  
Logistics



Kimberly-Clark

DB SCHENKER

TESCO

Office  
DEPOT

SAMSUNG

FedEx

IN-GRAM



PANALPINA  
on 6 continents



95%

Of our top 25  
customers operate  
globally

75%

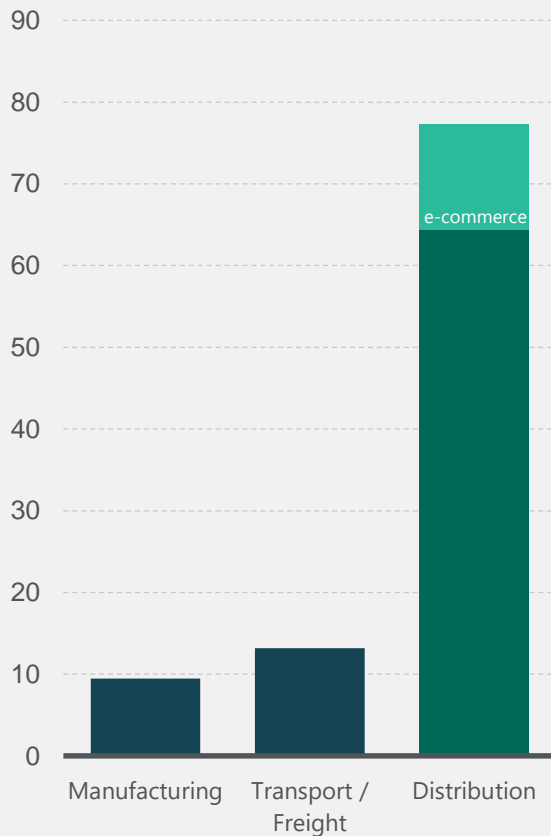
lease from us on  
multiple continents



# Consumer-Driven Business: Diverse by Customer & Industry

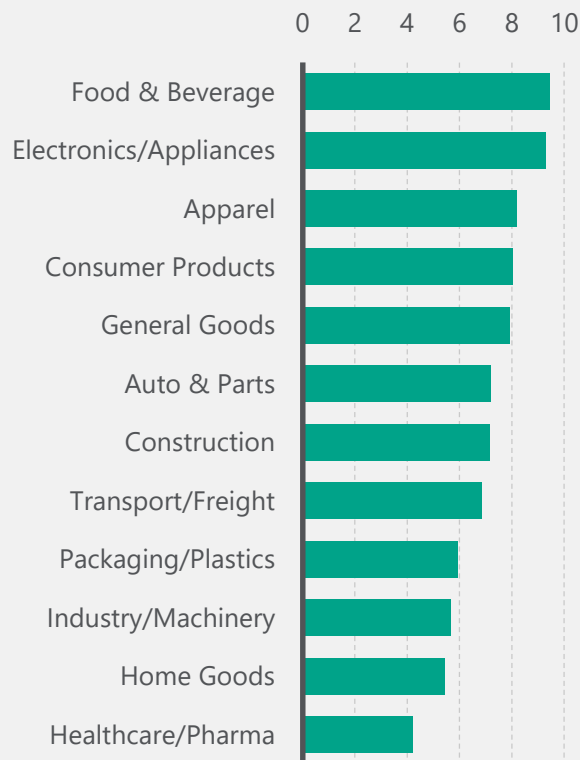
## Customer Activity in Building

%, NRA basis



## Type of Goods in Building

%, NRA basis



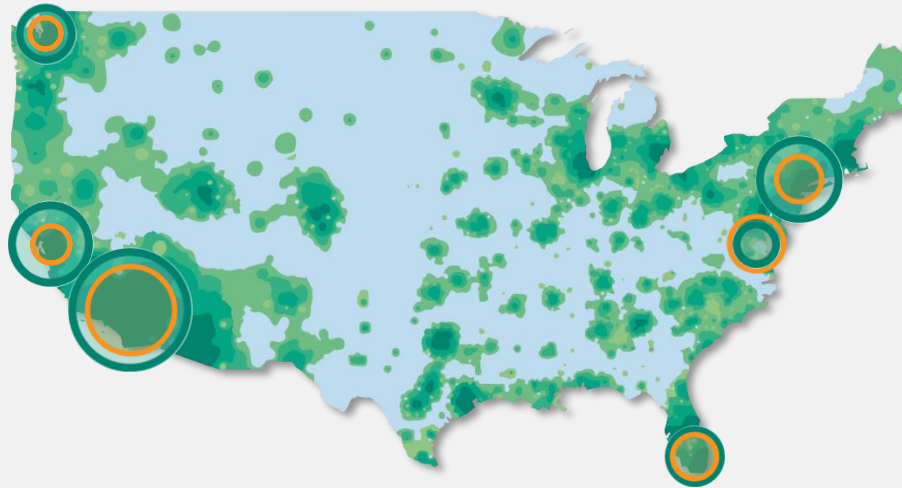
Our top 25 customers represent just

**19.3%**

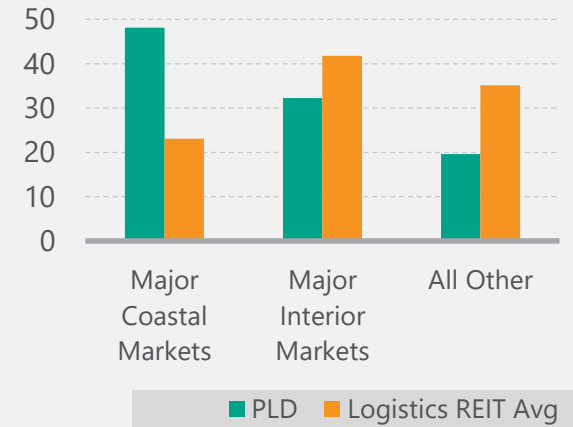
of net effective rent

# Prologis Portfolio is Located Near Consumers

Portfolio Size by NRA, Prologis vs Sum of Logistics REITs  
Major Coastal Markets



Market Share of U.S. Operating Portfolio  
% of NRA

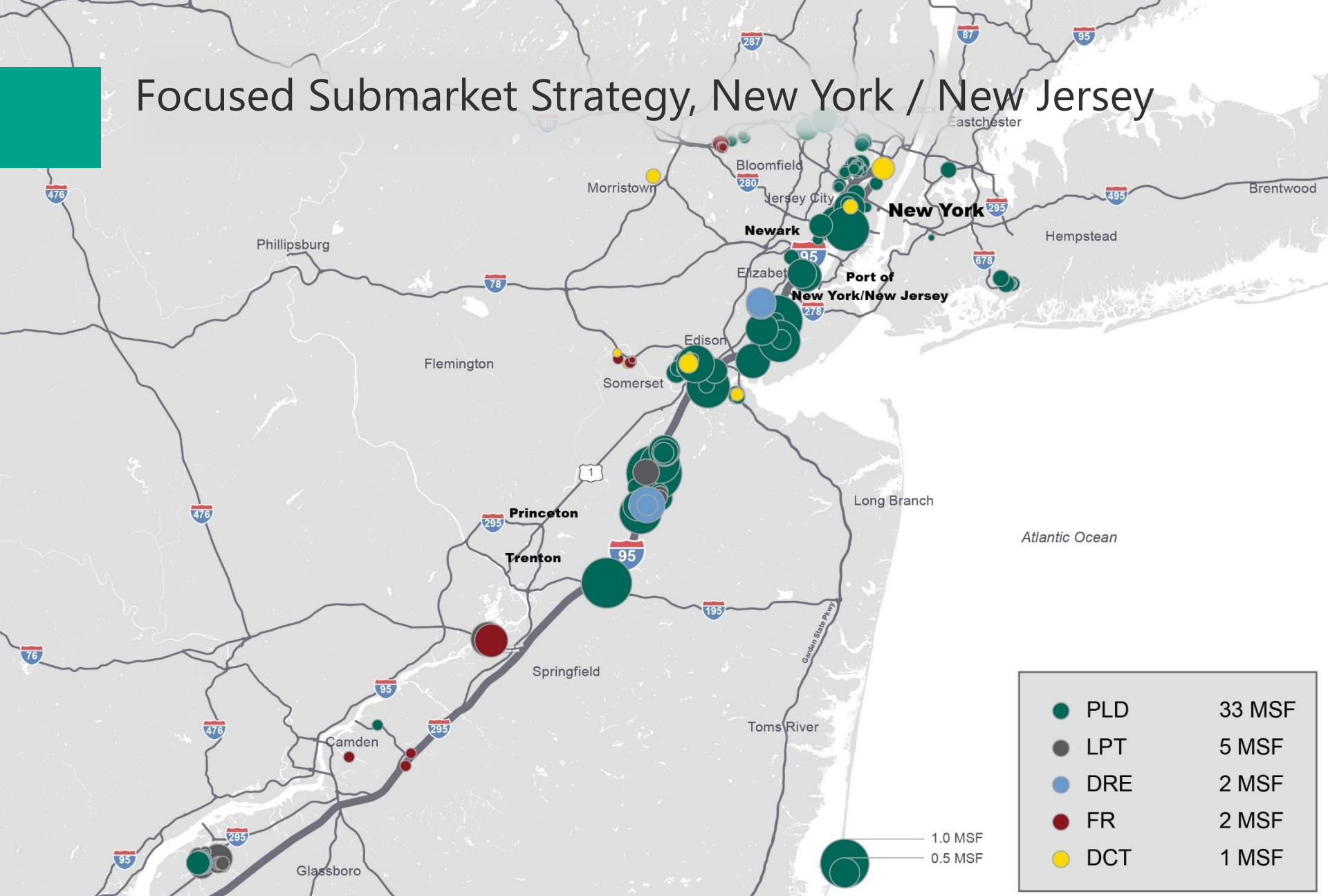


Nearly 50% of our portfolio is located in the major coastal markets, compared to <25% for other logistics REITs

# Focused Submarket Strategy, Southern California

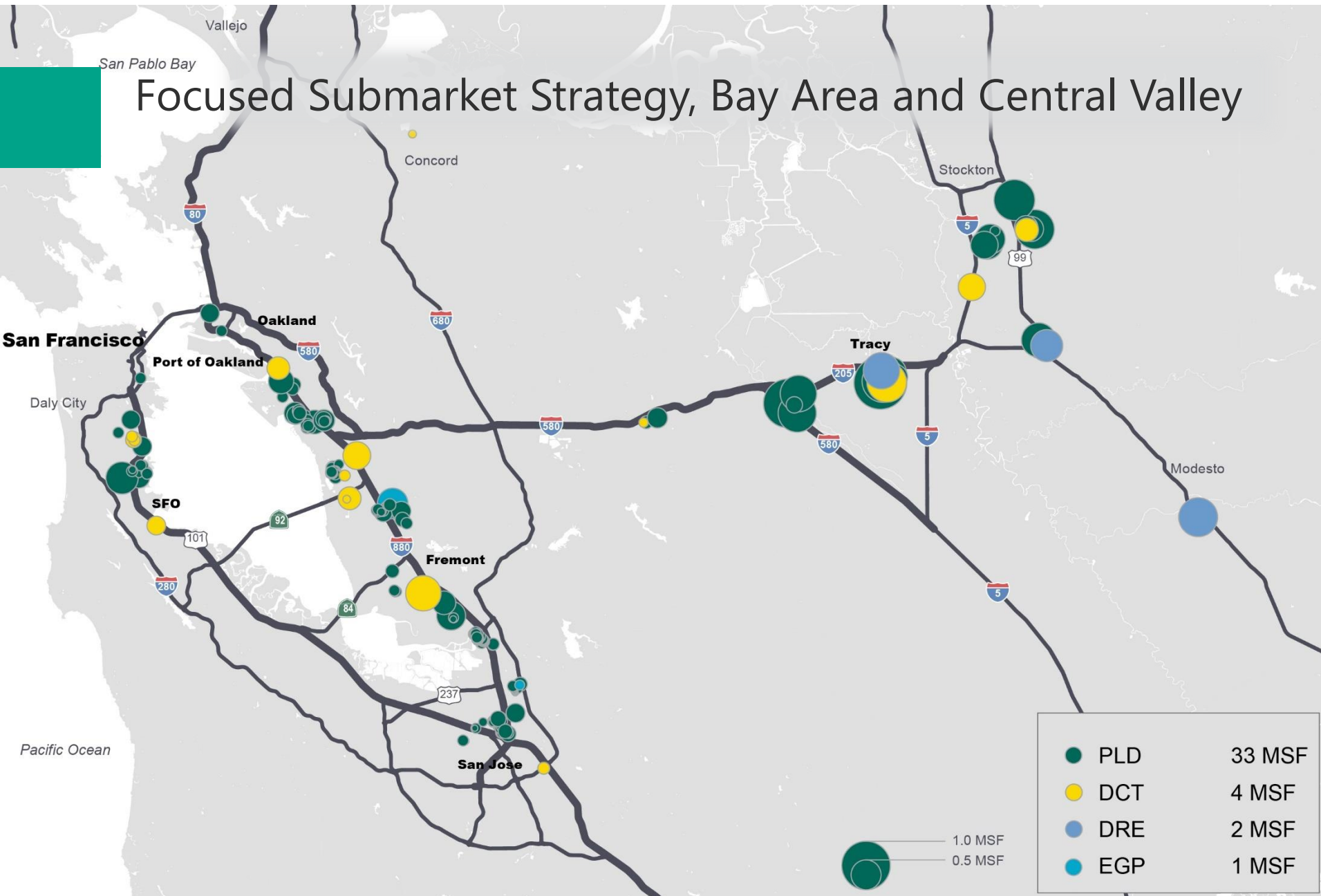


# Focused Submarket Strategy, New York / New Jersey

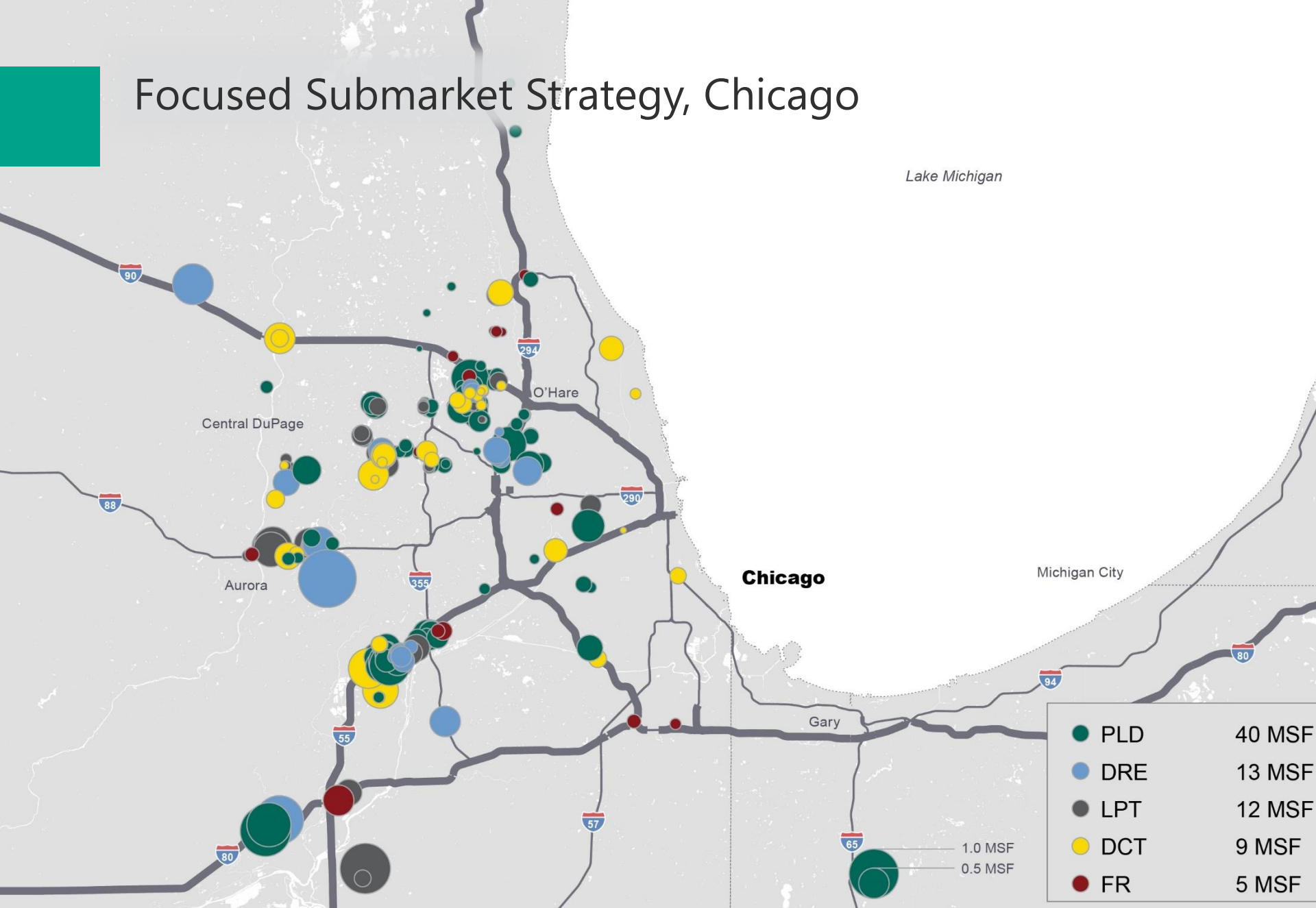




# Focused Submarket Strategy, Bay Area and Central Valley



# Focused Submarket Strategy, Chicago



# Focused Submarket Strategy, Seattle





# Seattle Multi-Story Case Study





# Benefits of A Focused Strategy

Average Prologis U.S. Markets v. Other Logistics REITs

## RENT GROWTH

+93 bps

Annual Difference

2012 -2017E. Average annual market rental growth for Prologis U.S. markets vs. average of other logistics REITs<sup>(1)</sup>

## CAP RATE

-27 bps

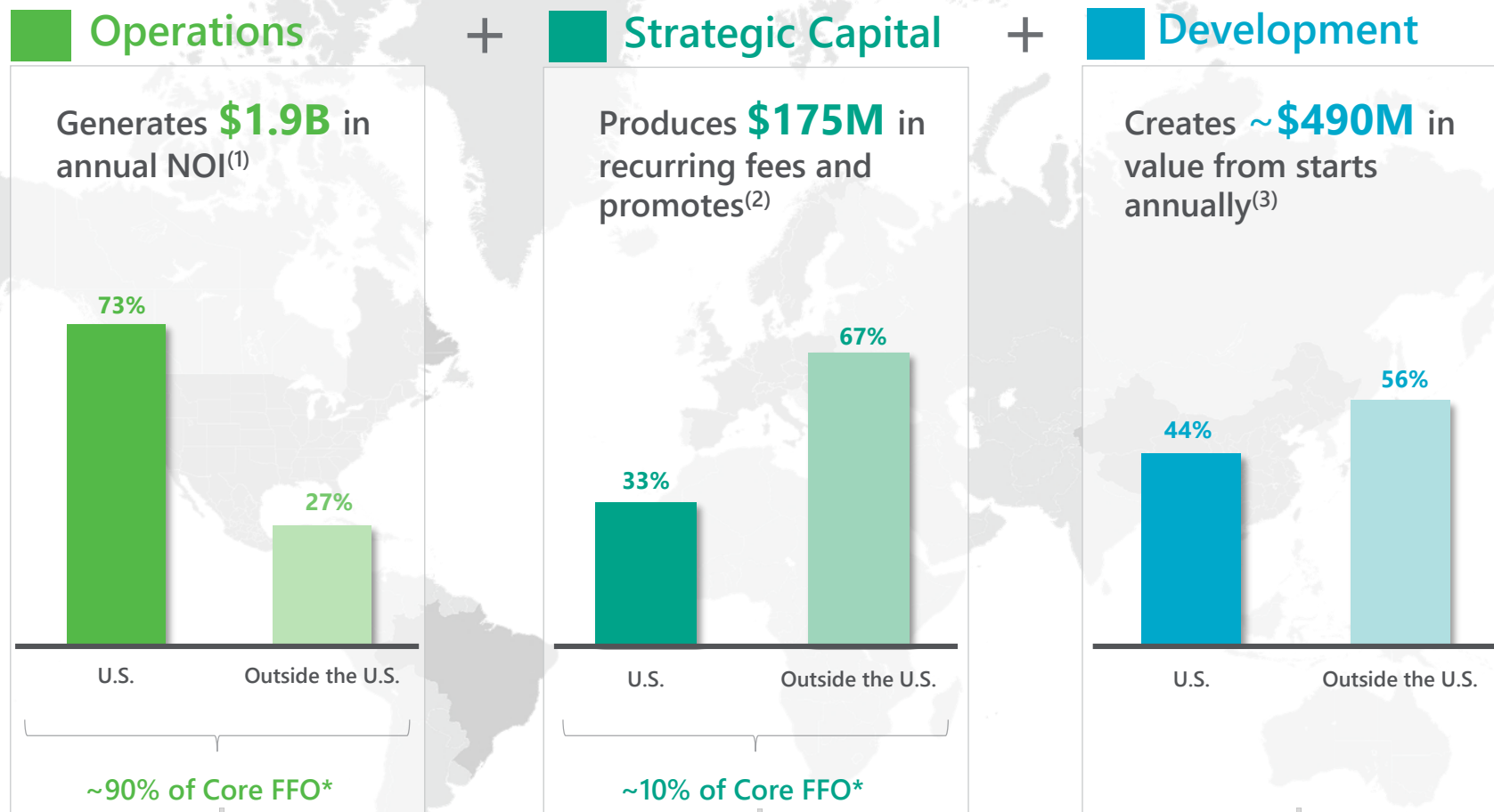
Difference

CoStar logistics market cap rate. Differential between Prologis market exposure vs. average of other logistics REITs at YE 2016<sup>(1)</sup>

Prologis LAX Cargo Center, Los Angeles, California

# Unique Business Model

Strong, Interconnected Enterprise Designed for Superior Results



\*This is a non-GAAP measure

1. Q2 2017 pro rata share NOI, as described in our supplemental, annualized

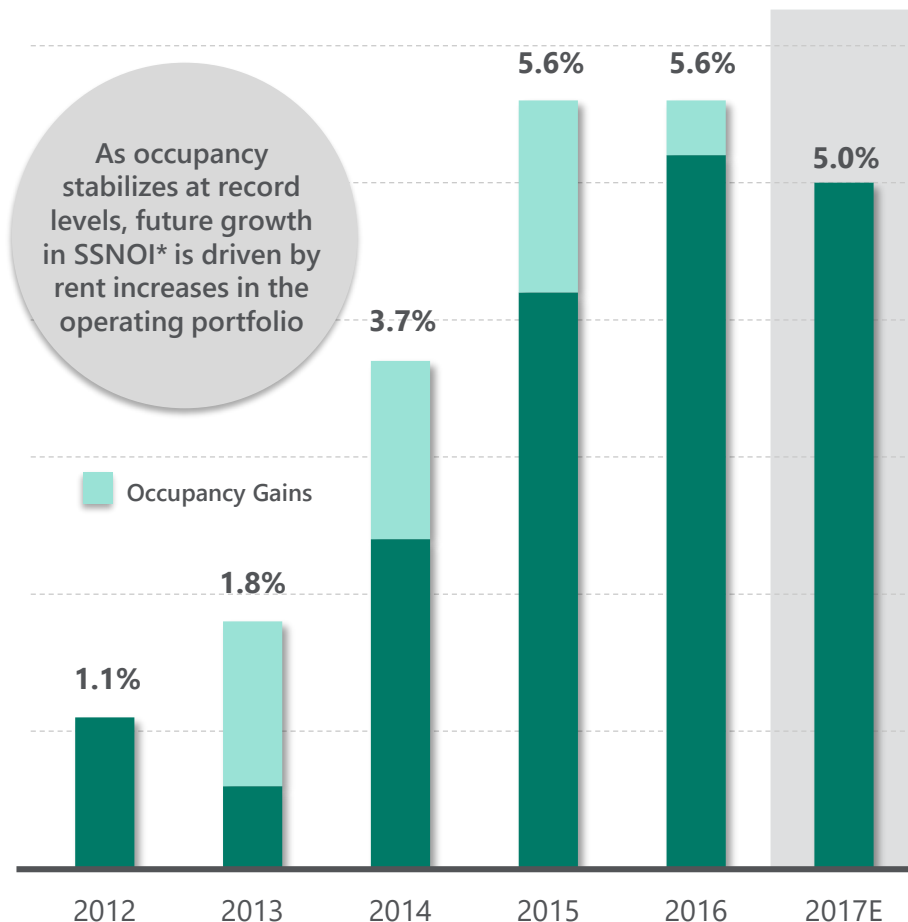
2. Q2 2017 third-party asset management fees annualized plus trailing twelve month third-party transaction fees and normalized net promotes of \$25M

3. Estimated pro rata share of value creation from development starts on a trailing twelve month basis as of Q2 2017

# Operations is Producing Record Results

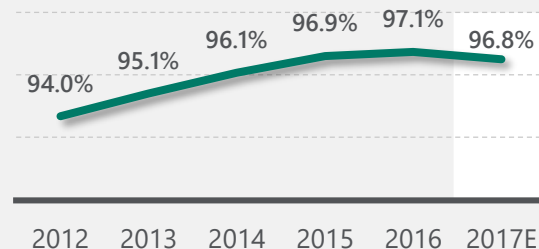
## Same Store NOI\*

Pro Rata Share



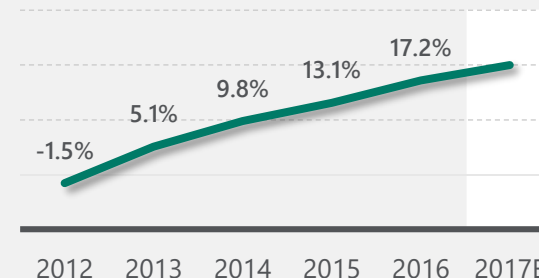
## Period End Occupancy

Owned and Managed



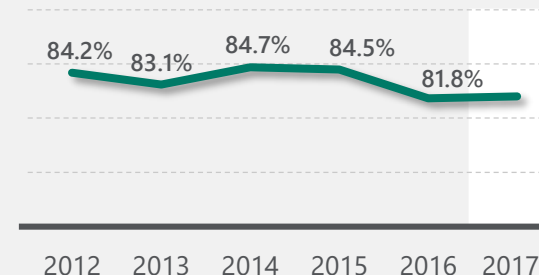
## Rent Change on Rollover

Pro Rata Share



## Customer Retention

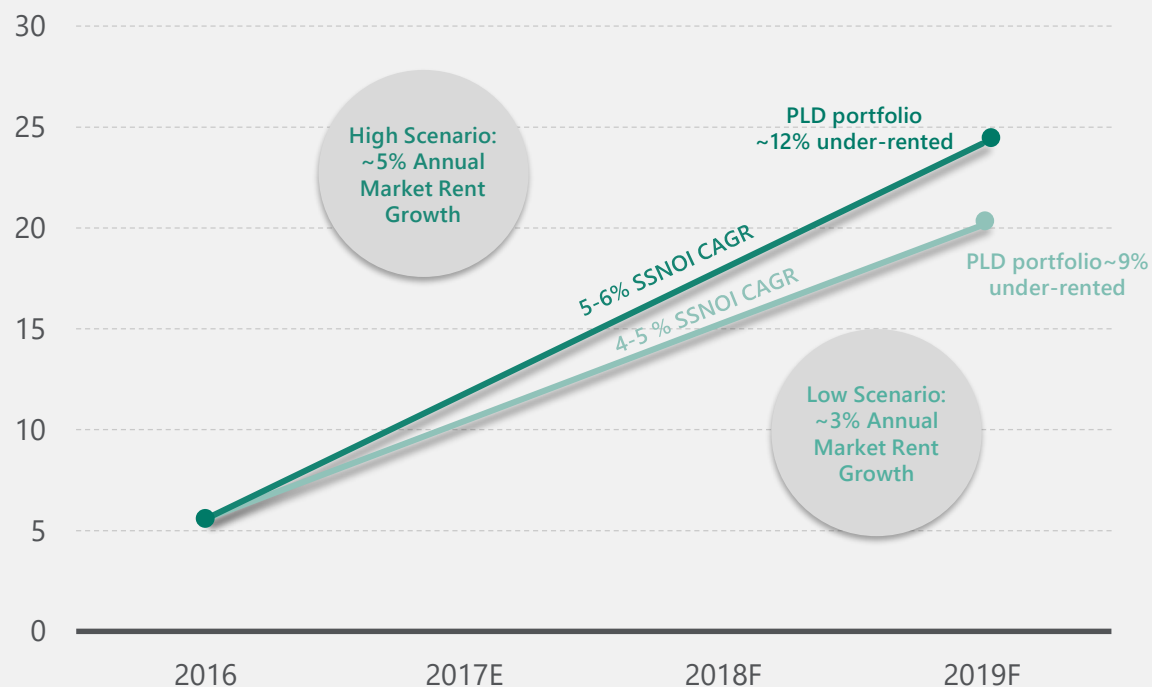
Owned and Managed



# Same Store NOI\* Growth Remains Robust

## Same Store NOI\* Growth Scenarios

%, Cumulative SSNOI Growth



Significant embedded growth from marking our in-place portfolio up to market rent

Strong annual market rent growth leads to an extended period of high SSNOI\* growth

Cash SSNOI\* growth is expected to be even higher



# Recurring Value Creation Through Development

## 15-Year Track Record

<b>\$26.7B</b> Total Investment	<b>\$6.6B</b> In the U.S.	<b>\$20.1B</b> Outside the U.S.
<b>\$5.4B</b> Value Creation	<b>18.5%</b> Margin in the U.S.	<b>20.6%</b> Margin outside the U.S.
<b>1,326</b> Total Properties	<b>481</b> Properties in the U.S.	<b>845</b> Properties outside the U.S.
<b>349M</b> Square Feet	<b>120M</b> Square Feet in the U.S.	<b>228M</b> Square Feet outside the U.S.

### We have built:

- 47% of our portfolio
- Minimized ongoing maintenance costs by building to LEED certified specifications and investing in sustainable materials

### Development needed in markets where:

- Product does not exist
- Supply chain undergoing reconfiguration
- Customers have requirements

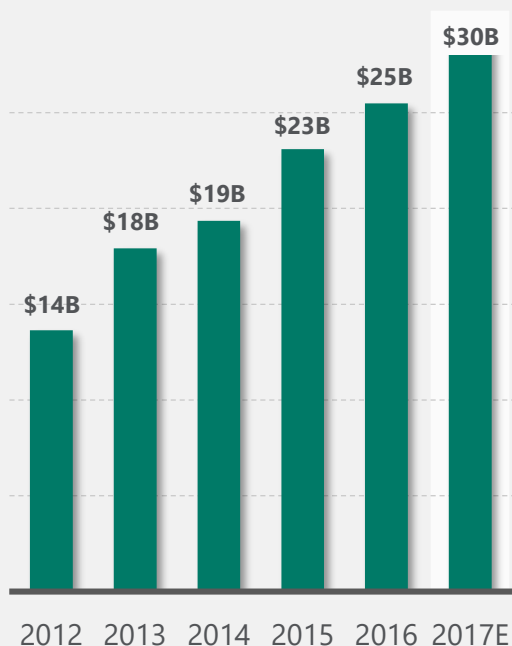
### We develop to:

- Meet customers' needs
- Deepen our market presence
- Refresh portfolio quality
- Generate profits across the cycle

# Strategic Capital Produces Stable, Long-Term Cash Flow

## Growth in Third-Party AUM

CAGR = 17.1%



# of Ventures

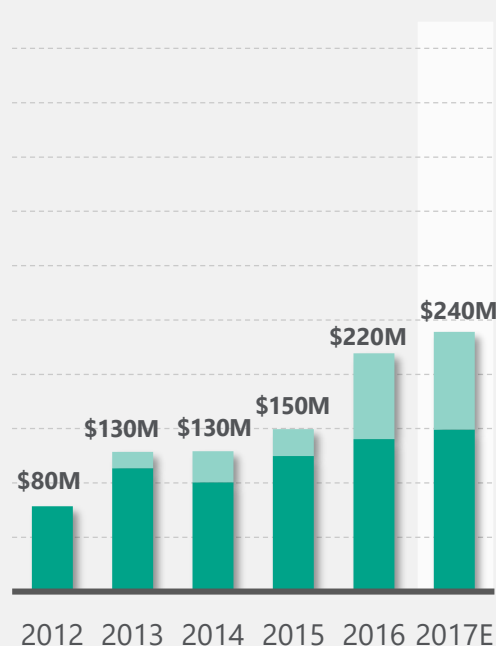
20 15 12 11 11 9

Average Size per Venture

\$0.7B \$1.2B \$1.6B \$2.1B \$2.3B \$3.3B

## Growth in Third-Party Fees & Promotes

CAGR = 24.9%



% Perpetual Life

60% 85% 90% 95% 95% 90%

Promote Income

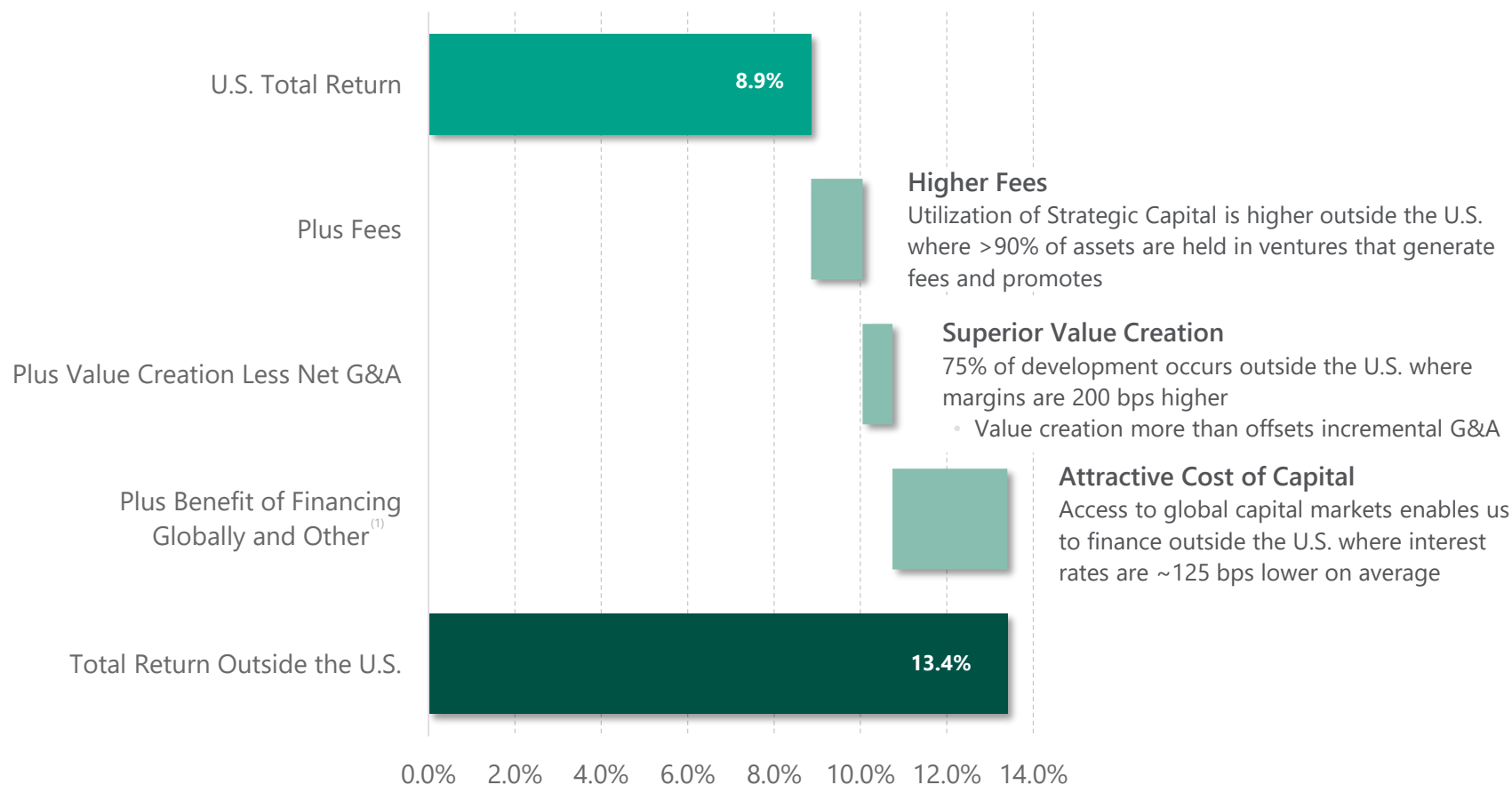
Fee Income

- Very durable fee stream with over 90% from perpetual or long-life ventures
- Third-party capital:
  - Boosts return on equity by at least 350 bps
  - Minimizes Prologis' equity exposure to non-USD investments
  - Mitigates development risk in emerging markets
  - Provides "four-quadrant" access to capital

# Global Platform Produces Higher Risk-Adjusted Returns

## Components of Incremental ROE

### Components of Incremental Return on Equity



Note: Total Return on Equity Includes NOI, asset management fees, net promotes and value creation, less estimated costs to run the platform and estimated interest expense, divided by gross book equity value as of June 30, 2017

1. Includes taxes, co-investment venture G&A, non-real estate depreciation and difference in NOI returns

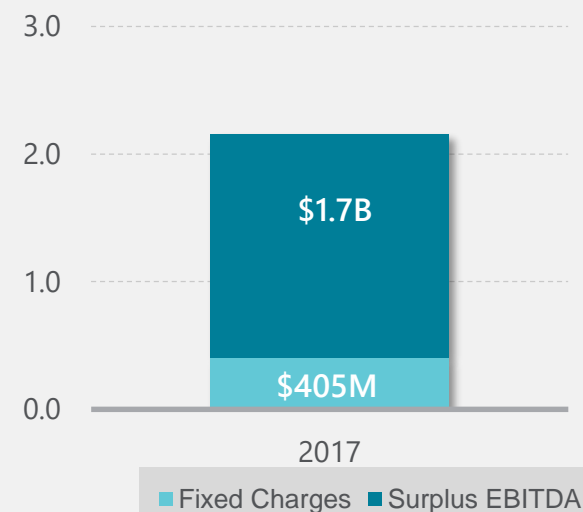
# Top-Rated Financial Position

Upgraded to A3/A- by Moody's/S&P in 2016(1)

	Q2 2017
Debt as % of Gross Real Estate Assets	37.3%
Debt / Adjusted-EBITDA	4.9x
Fixed Charge Coverage Ratio	6.0x
USD Net Equity Exposure	95%
Liquidity	~3.7B

## PLD Adjusted EBITDA<sup>(2)</sup> and Fixed Charges (Excludes ~\$275M of realized development gains)

Dollars, Billions



Prologis has one of the strongest surplus EBITDAs among REITs



# \$3.5B of Internal Capacity to Fund Growth<sup>(1)</sup>

## Annual Capital Sources (in millions)

Contribution Proceeds	\$1,050
Retained Cash Flow (from Core Operations)	\$100
Leverage Capacity (on Value Creation)	\$150

**Total Annual Capital Sources** **\$1,300**

## One-Time Capital Sources

Co-Investment Rebalancing	\$2,700 <sup>(2)</sup>
Non-Strategic Building Sales (U.S. and Europe)	\$550
Land Bank Rationalization (U.S. and Europe)	\$250

**Total Additional Capital Sources** **\$3,500**

## Annual Capital Uses (in millions)

Development Spend	\$1,800
Acquisitions (via co-investment ventures)	\$100

**Total Annual Capital Uses** **\$1,900**

**Total Annual Funding Requirement** **\$600M**

**6 years**

OF ANTICIPATED FUNDING  
REQUIREMENTS FROM ONE-TIME  
CAPITAL SOURCES

# Superior Earnings and Dividend Growth

Core FFO* PER SHARE CAGR	1-Year	3-Year	5-Year
PLD	15%	16%	10%
Other Logistics REITs <sup>(1)</sup>	2%	4%	4%
Blue Chips <sup>(2)</sup>	7%	8%	9%
REIT Average <sup>(3)</sup>	8%	9%	8%
S&P 500 Average <sup>(4)</sup>	6%	2%	3%

Dividend CAGR	1-Year	3-Year	5-Year
PLD	11%	14%	8%
Other Logistics REITs	5%	3%	3%
Blue Chips	8%	10%	12%
REIT Average	7%	8%	9%
S&P 500 Average	9%	10%	12%

Prologis has the  
**best Core**  
**FFO\*** CAGR's for  
all time periods

Prologis has the  
**top Dividend**  
CAGR's for one and  
three-year time  
periods

\*This is a non-GAAP financial measure

Source: Factset, data as of July 20, 2017; based on earnings through 2016

1. Includes DCT, DRE, EGP, FR, LPT and STAG

2. Includes AVB, BXP, EQR, FRT, HST, PSA, and SPG

3. Includes REITs in the RMZ as of 12/31/2016 with 5 years' worth of data

4. Include all companies in the S&P as of 12/31/2016 with 5 years' worth of data

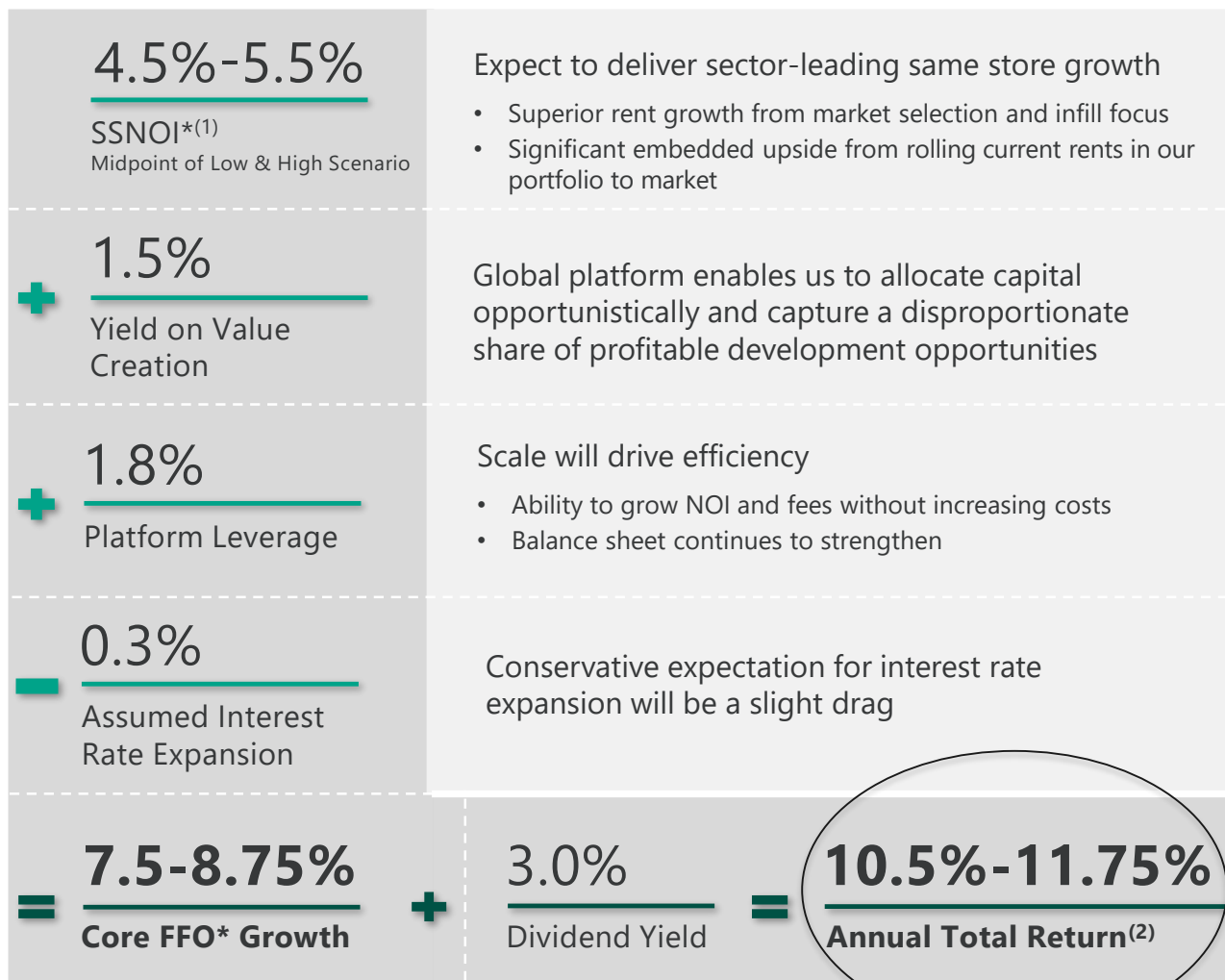
## Section 03

Why  
Prologis Now

Silicon Valley Logistics Park, Fremont, CA



# Illustrative Three-Year Total Return Potential



## ADDITIONAL GROWTH DRIVERS:

- Customer Experience
- Procurement, Ancillary Revenues and Services
- Advanced Analytics
- Continuous Improvement
- Inclusion + Diversity

\* This is a non-GAAP financial measure

1. Net Effective; expect Cash SSNOI to be higher

2. Based on a number of assumptions that Prologis believes to be reasonable; however, no assurance can be made that Prologis' expectations will be attained and there actual outcomes and results may differ materially

# Valuation Premium Comparison

Price to Core FFO\*

	Price to FFO	
	Other Sectors <sup>(1)</sup>	Logistics
Blue Chip <sup>(2)</sup>	17.7x	Prologis 23.0x
Sector Peers Average <sup>(3)</sup>	16.5x	23.4x
Blue Chip Premium	1.2x	(0.4)x

1.6x

Prologis needs **1.6x**  
or **\$4/sh** to  
catch up to the average  
blue chip premium

Premium would expand  
even further if you  
account for non-income  
producing assets

\* This is a non-GAAP financial measure

Source: Factset, data as of August 31, 2017

1. Includes apartments, office, hotels, self-storage and malls

2. Includes AVB, BXP, EQR, FRT, HST, PSA and SPG

3. Sector peers are the next three largest pure-play REITs by market cap in each of the blue chips. Logistics peers include: DCT, DRE, FR



# Location and Quality Matters

Going forward it's all about Same Store  
NOI growth and value creation

Prologis has superior organic and  
external growth potential



