

09.25.2018

# Prologis

## Bank of America Merrill Lynch

## 2018 Global Real Estate Conference

Prologis Park Redlands Distribution Center, Redlands, California



# Important Information

**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 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, local economic and political climates, (ii) changes in global 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 laws and 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, (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.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

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*Prologis Park Munich East, Munich, Germany*



## Section 01

# Points of Focus

Amazon Intl Park of Commerce in Tracy, CA

# Superior Earnings and Dividend Growth

Core FFO* per share CAGR	1-Year	3-Year	5-Year
PLD (excluding promotes)	10%	13%	9%
Other Logistics REITs <sup>(1)</sup>	7%	4%	4%
Blue Chips <sup>(2)</sup>	5%	7%	7%
REIT Average <sup>(3)</sup>	4%	6%	7%
S&P 500 Average <sup>(4)</sup>	11%	4%	5%

Dividend CAGR	1-Year	3-Year	5-Year
PLD	5%	10%	9%
Other Logistics REITs <sup>(1)</sup>	(1%)	2%	3%
Blue Chips <sup>(2)</sup>	8%	10%	11%
REIT Average <sup>(3)</sup>	7%	7%	8%
S&P 500 Average <sup>(4)</sup>	4%	9%	12%

Prologis has the

**best Core**

**FFO\*** CAGRs for the three and five-year time periods

Prologis has the

**top Dividend**

CAGR for the three-year time period

Over the three-year time period, Prologis reduced leverage by

**700 bps** and achieved an A3/A-rating<sup>(5)</sup>

\*This is a non-GAAP financial measure

Source: Factset, data as of June 30, 2018; growth through YE 2017

1. Includes DRE, EGP, FR, LPT and STAG. Excludes DCT. Weighted on market cap as of YE 2017

2. Includes AVB, BXP, EQR, FRT, HST, PSA, and SPG. Weighted on market cap as of YE 2017

3. Includes REITs in the RMZ as of 12/31/2017 with data for every year in each respective period; weighted on market cap as of YE 2017

4. Source: SP500 per Factset



# Industry-Leading Same Store and Earnings Guidance

## 2018 SAME STORE NOI\* GROWTH

Cash

Net Effective

PLD <sup>(1)</sup>

6.5%

5.0%

Other Logistics REITs<sup>(2)</sup>

4.3%

3.5%

Sector-leading guidance for 2018 SSNOI\* growth among the logistics REITs

- +200 bps higher than the peer average on a Cash basis

## CORE FFO\* PER SHARE GROWTH

Prior 3-Year  
CAGR

2018 Guidance  
Midpoint

PLD (excluding promotes)

13%

8%

Other Logistics REITs <sup>(2)</sup>

4%

-1%

Blue Chips <sup>(3)</sup>

7%

4%

The highest estimated Core FFO per share growth for 2018

- 900 bps higher than the logistics peer average
- 400 bps higher than the blue chip peer average

\*This is a non-GAAP financial measure  
Data as of August 31, 2018

1. Midpoint of Prologis 2018 guidance for Net Effective SS NOI\* growth of 4.7%-5.2% and Cash SS NOI\* growth of 6.25%-6.75%

2. Includes midpoint of 2018 guidance for DRE, EGP, FR and LPT and consensus for STAG. Excludes DCT. Weighted on market cap

3. Includes midpoint of 2018 guidance for AVB, BXP, EQR, FRT, HST, and SPG and consensus for PSA. Weighted on market cap

# Strong Three-Year Return Potential

Illustrative, as Presented at Prologis Investor Forum – November 2016

<b>4.0-5.0%</b> <hr/> <b>Net Effective SSNOI<sup>*(1)</sup></b> <small>Midpoint of Low &amp; High Scenario</small>	<p>Expect to deliver sector-leading same store growth</p> <ul style="list-style-type: none"> <li>• Superior rent growth from market selection and infill focus</li> <li>• Significant embedded upside from marking current rents in our portfolio to market</li> </ul>
<b>+</b> <b>1.5%</b> <hr/> <b>Yield on Value Creation</b>	<p>Global platform enables us to allocate capital opportunistically and capture a disproportionate share of profitable development opportunities</p>
<b>+</b> <b>1.8%</b> <hr/> <b>Platform Leverage</b>	<p>Scale will drive efficiency</p> <ul style="list-style-type: none"> <li>• Ability to grow NOI and fees without increasing costs</li> <li>• Balance sheet continues to strengthen</li> </ul>
<b>-</b> <b>0.3%</b> <hr/> <b>Assumed Interest Rate Expansion</b>	<p>Conservative expectation for interest rate expansion will be a slight drag</p>
<b>=</b> <b>7.0-8.0%</b> <hr/> <b>Core FFO* Growth (excluding promotes)</b>	<div> <b>+</b> <b>3.0%</b>  <hr/> <b>Dividend Yield</b> </div> <div> <b>=</b> <b>10.0-11.0%</b>  <hr/> <b>Annual Total Return<sup>(2)</sup></b> </div>

\* This is a non-GAAP financial measure

1. Expect Cash SSNOI to be higher. Expectations remain consistent after aligning definitions across the Industrial REIT Group

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 actual outcomes and results may differ materially

# \$9B of Internal Capacity to Fund Growth<sup>(1)</sup>

## Annual Capital Sources (in millions)

Contribution Proceeds	\$1,050
Retained Cash Flow (from Core Operations)	\$125
Leverage Capacity (on Value Creation)	\$150

<b>Total Annual Capital Sources</b>	<b>\$1,325</b>
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## Annual Capital Uses (in millions)

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

<b>Total Annual Capital Uses</b>	<b>\$1,900</b>
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## One-Time Capital Sources

Open-End Funds Capacity	\$2,200 <sup>(2)</sup>
Joint Venture Capacity	\$3,900 <sup>(2)</sup>
Land Bank Rationalization (U.S. and Europe)	\$225
Balance Sheet Capacity	\$3,000

<b>Total Additional Capital Sources</b>	<b>\$9,325</b>
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<b>Total Annual Funding Requirement</b>	<b>\$575M</b>
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**+10 years**

OF ANTICIPATED FUNDING  
REQUIREMENTS FROM ONE-TIME  
CAPITAL SOURCES

Significant investment capacity to self fund without the need to issue equity

We have not issued equity through a follow-on offering or through our ATM since Q1 2015



# Top-Rated Financial Position

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

Prologis Debt Metrics	Q2 2018
Debt as % of Gross Market Cap <sup>(*)</sup>	22.9%
Debt / Adjusted-EBITDA <sup>(*)</sup>	4.1x
Fixed Charge Coverage Ratio <sup>(*)</sup>	7.7x
USD Net Equity Exposure	96%
Liquidity	~\$4.0B

Prologis manages its balance sheet to:

- Low leverage
- High liquidity
- Low near-term maturities

## Section 02

# Why Logistics Real Estate

# We are Essential to the Global Supply Chain



- 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.

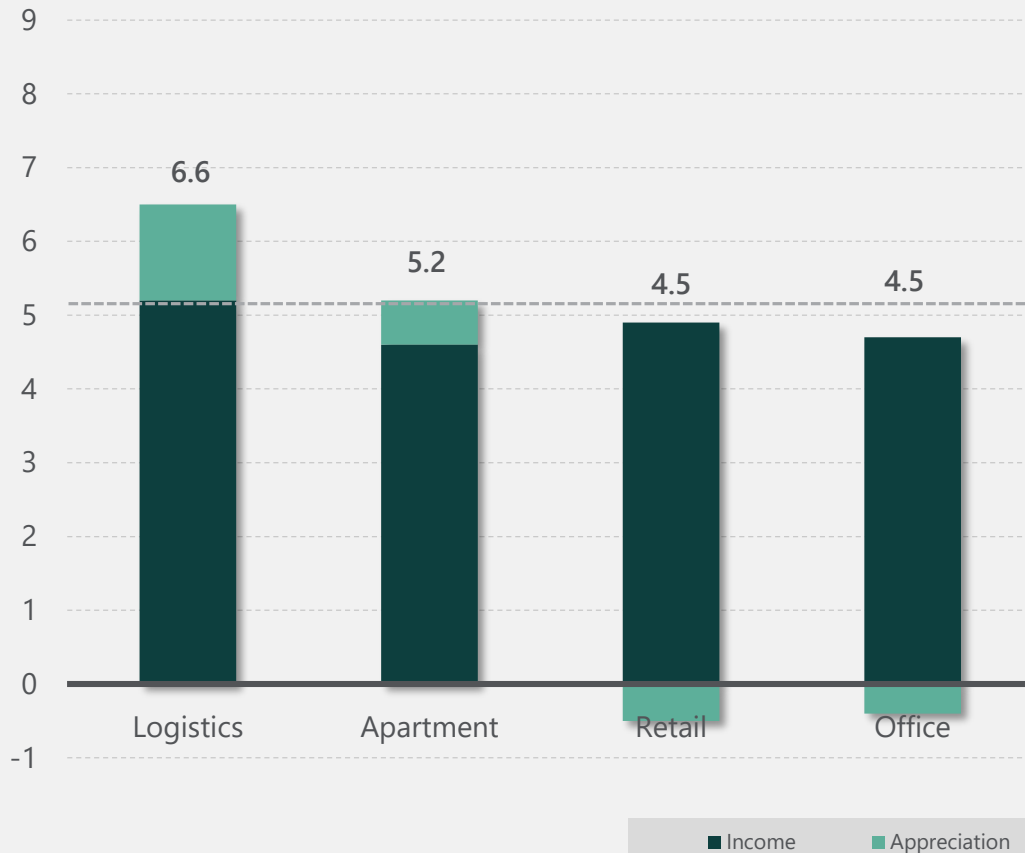
*Prologis Qingpu Logistics Center, Shanghai, China*



# Logistics Real Estate Delivers Consistent Returns

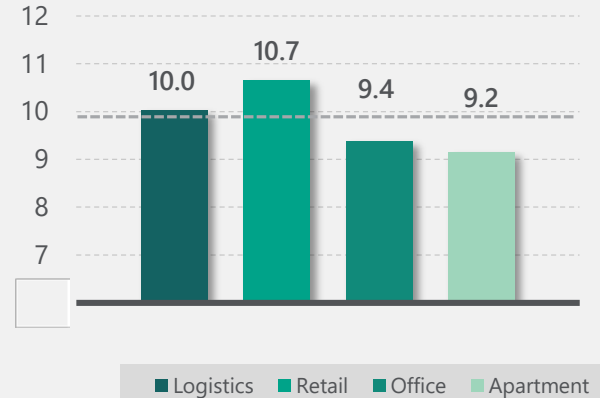
## Total Returns Forecast, 2018-2022E

%, Unleveraged Pre-fee and Before Tax



## 1997-2017

%



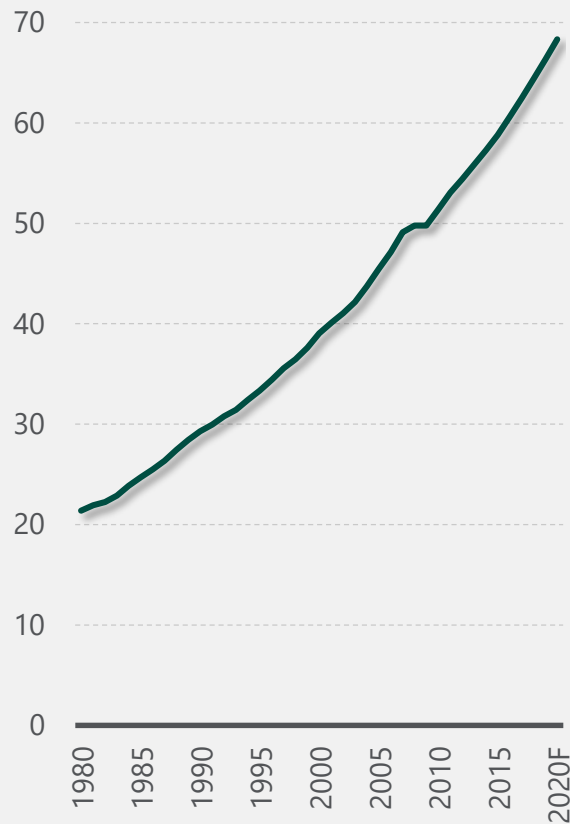
Logistics is projected to be the highest-performing property type through 2022

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

# Logistics Real Estate is a Growth Industry

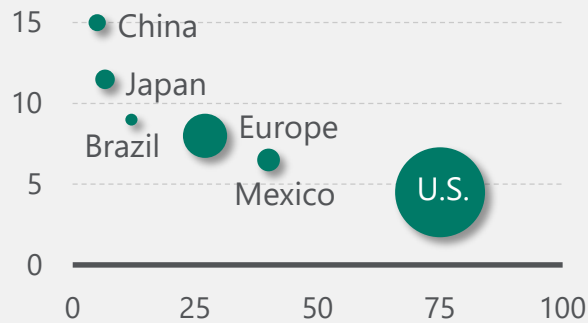
## Consumption, Global

Inflation Adjusted 2015 Dollars, Trillions



## Supply Chain Reconfiguration

SF, Normalized Demand Growth % vs. Modern Stock per Consumer Household



## Reversal in Inventory to Sales Ratio

Ratio, Inventories to Retail Sales

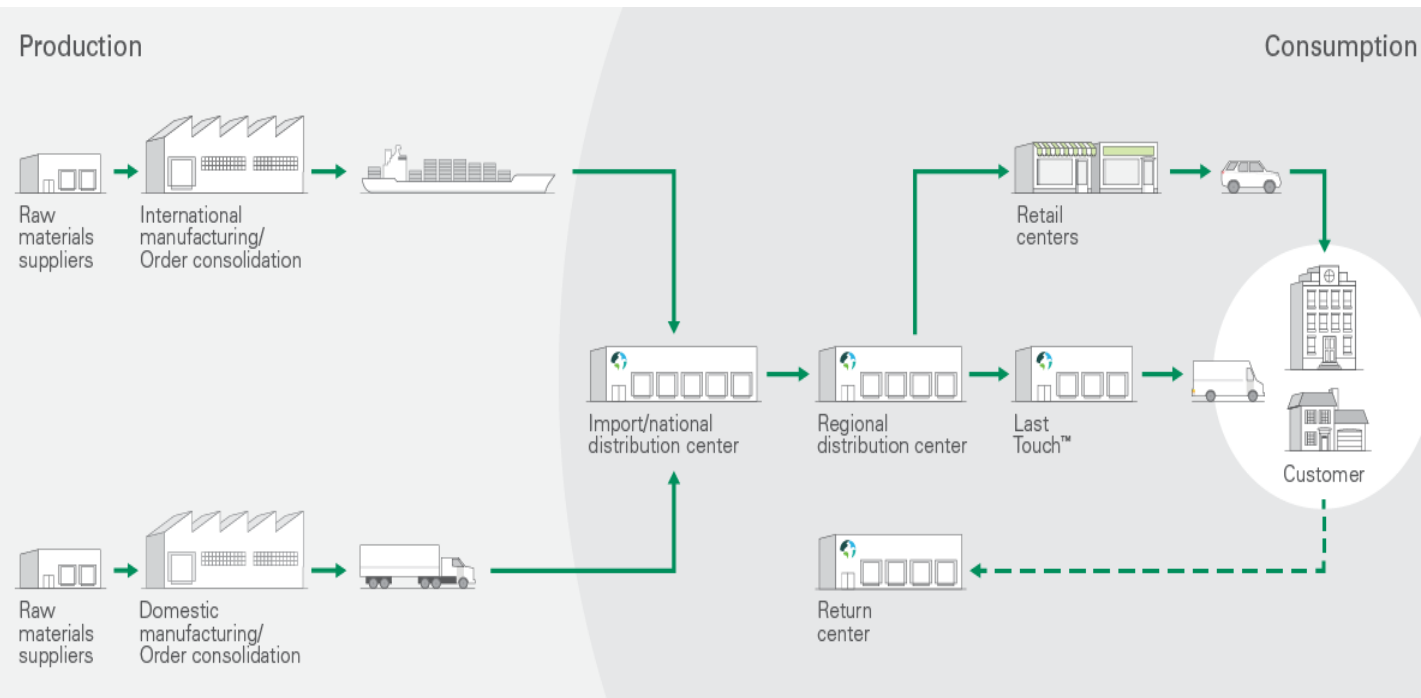


Consumption is the largest share of economic activity and outperforms across economic cycles

Supply chains are mission critical, driving demand for logistics space

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

# Logistics Real Estate Requirements Have Evolved

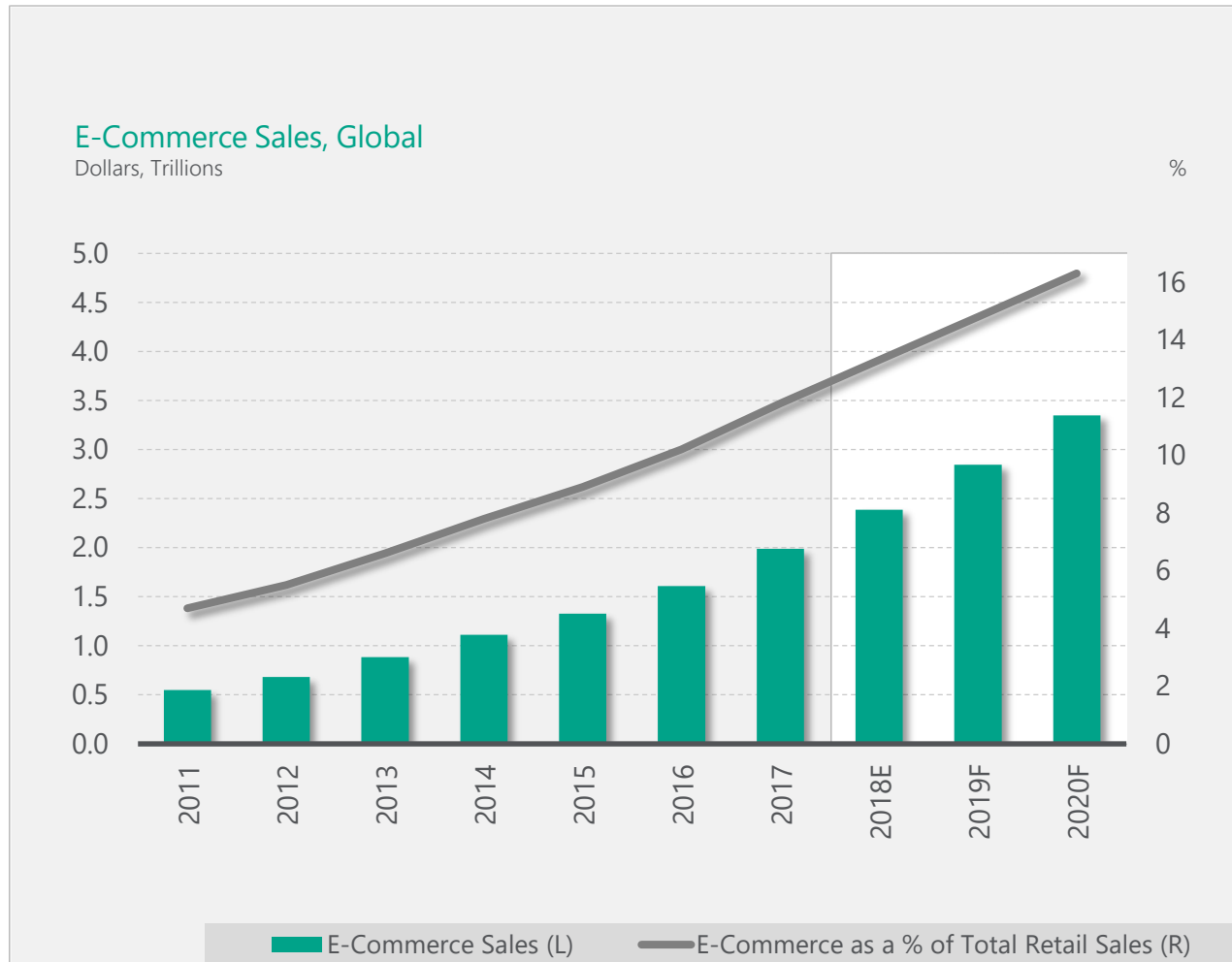


Facilities serving the consumption-end of the supply chain offer a superior long-term value proposition due to:

- Higher barriers to supply
- Growth in e-commerce
- Growth in trade
- Greater permanence in population centers



# Significant Shift As E-Commerce Adoption Rate Increases



152%

projected growth of  
e-commerce sales from  
2015-2020

- 115% shift to e-commerce
- 17% inflation
- 17% real growth in sales

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



Online

Sales  
US\$, B

\$228B

Facilities  
SF, M

286

Productivity  
US\$ / SF

\$799

Efficiency  
SF / \$1B

1,251 KSF



Brick &  
Mortar

\$1,068B

510

\$2,091

478 KSF

+/- 3x



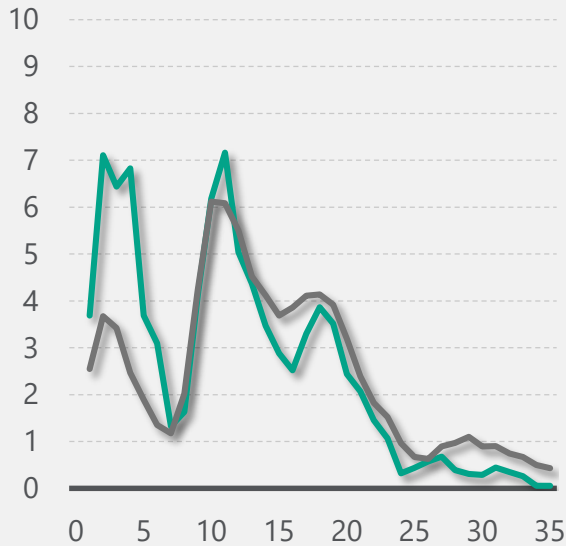
E-fulfillment requires 3x the logistics space used by brick-and-mortar retailers due to:

- Shipping parcels versus pallets
- High inventory level
- Broader product variety
- Reverse logistics

# Not All E-Commerce Facilities Are New or Large

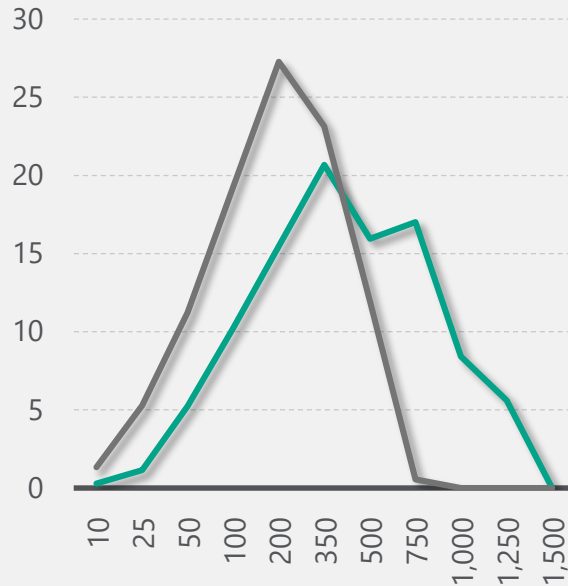
## Distribution of Leases by Building Age

%, Share of Prologis Global Portfolio, by Age



## Distribution of Leases by Unit Size

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



E-Commerce

Non E-Commerce

# 144,000 SF

average unit size for  
e-commerce customers

# 16 years

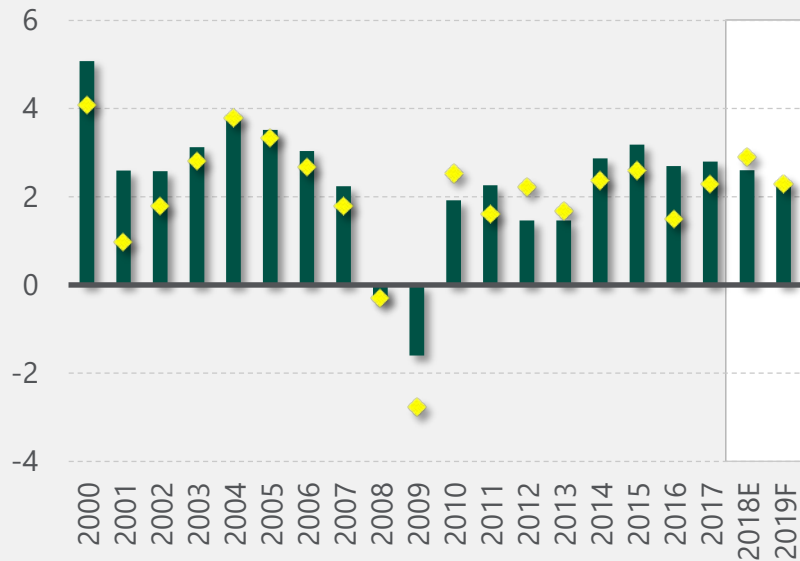
average building age for  
e-commerce customers



# Other Segments of the Economy Outperforming

## Consumption vs. GDP, U.S.

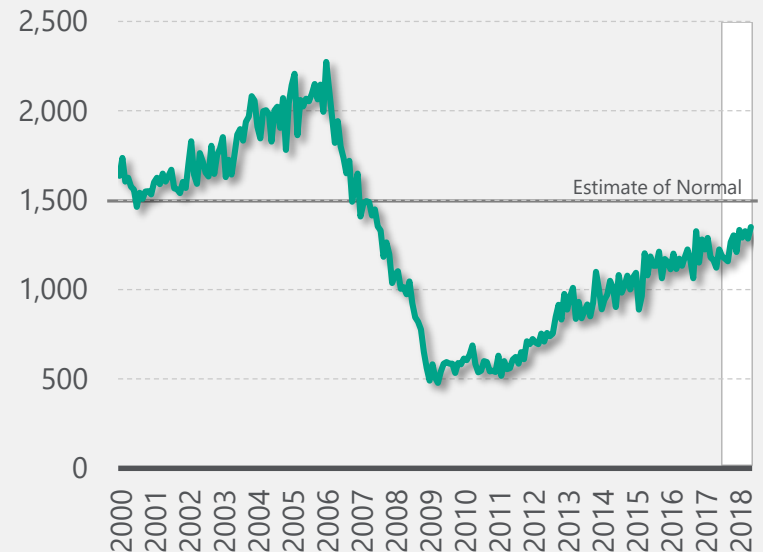
% y/y, Inflation Adjusted



■ Personal Consumption Expenditures    ◆ GDP

## Housing Starts, U.S.

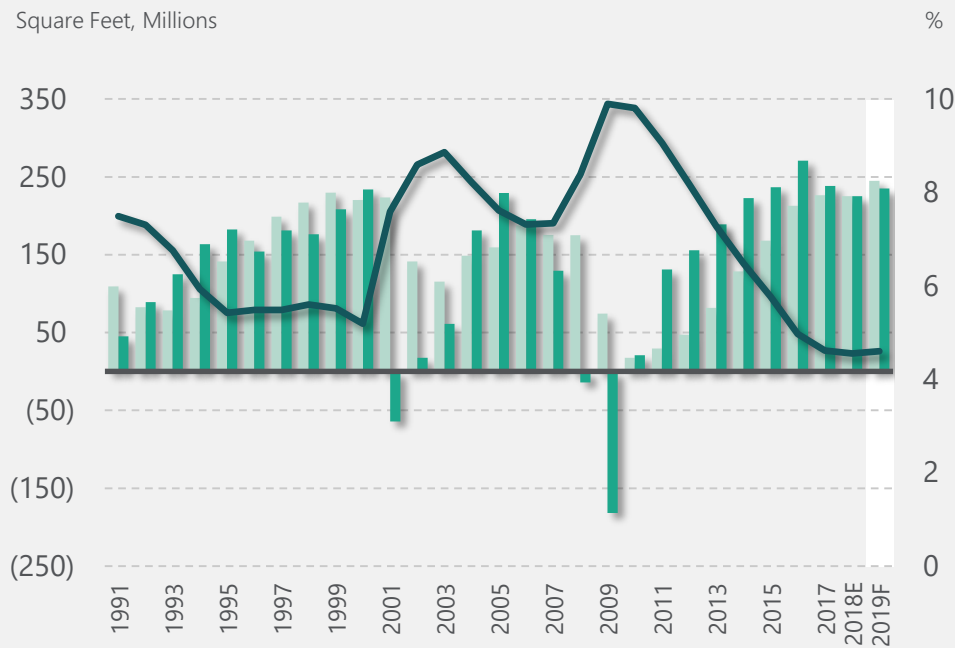
Square Feet, Thousands, New Privately Owned Housing Units Started, Monthly, SAAR



# Vacancies At or Near All-Time Lows

## U.S.

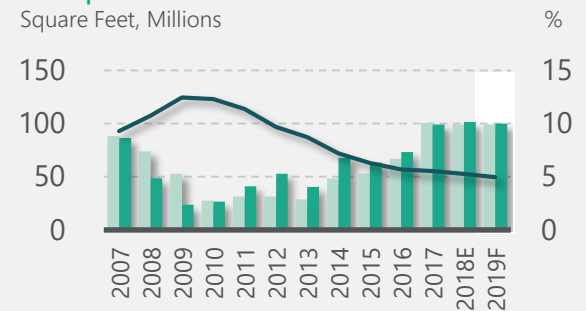
Square Feet, Millions



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

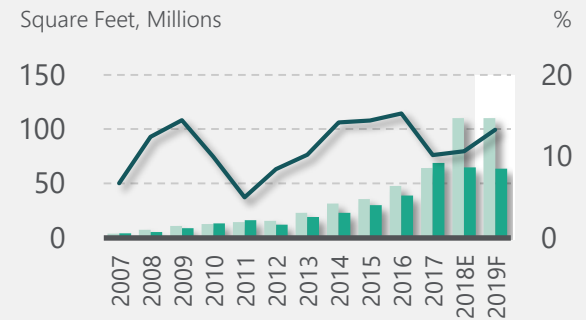
## Europe

Square Feet, Millions



## Asia

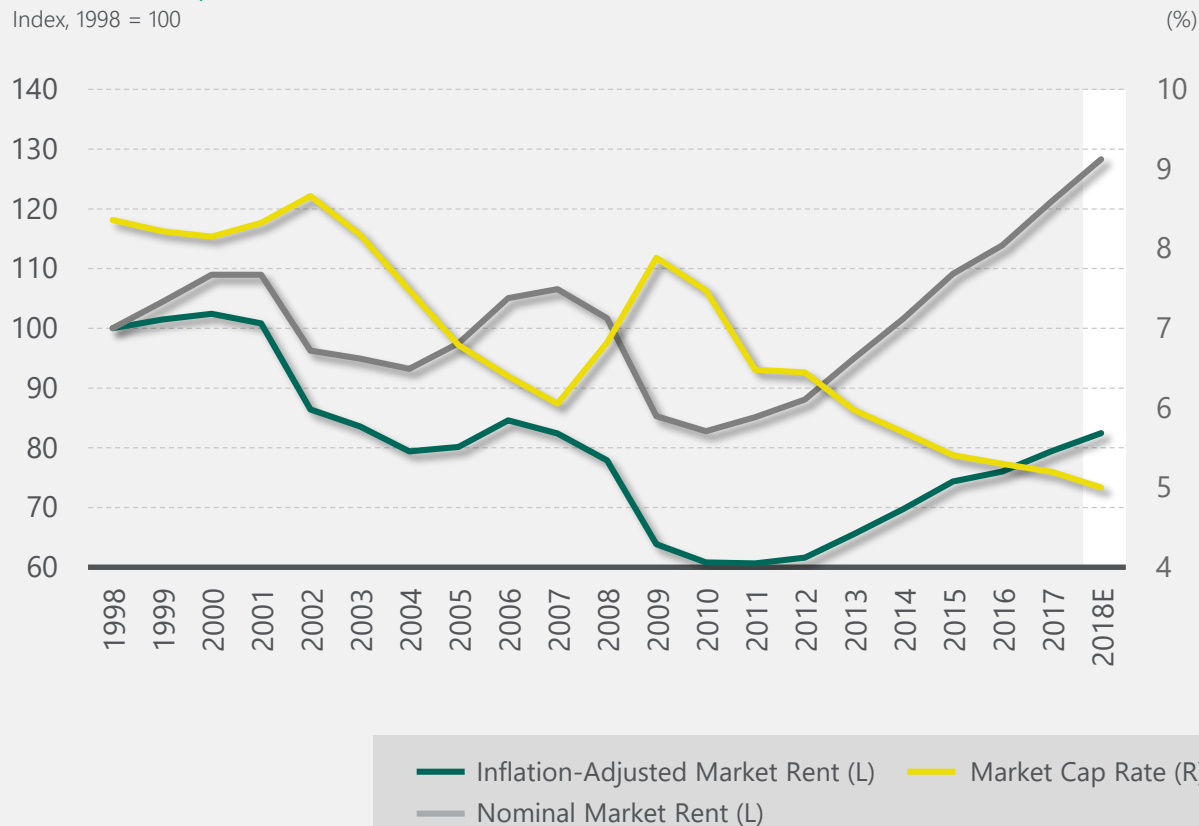
Square Feet, Millions



# Logistics Rental Rate History

## Market Rents, Global

Index, 1998 = 100



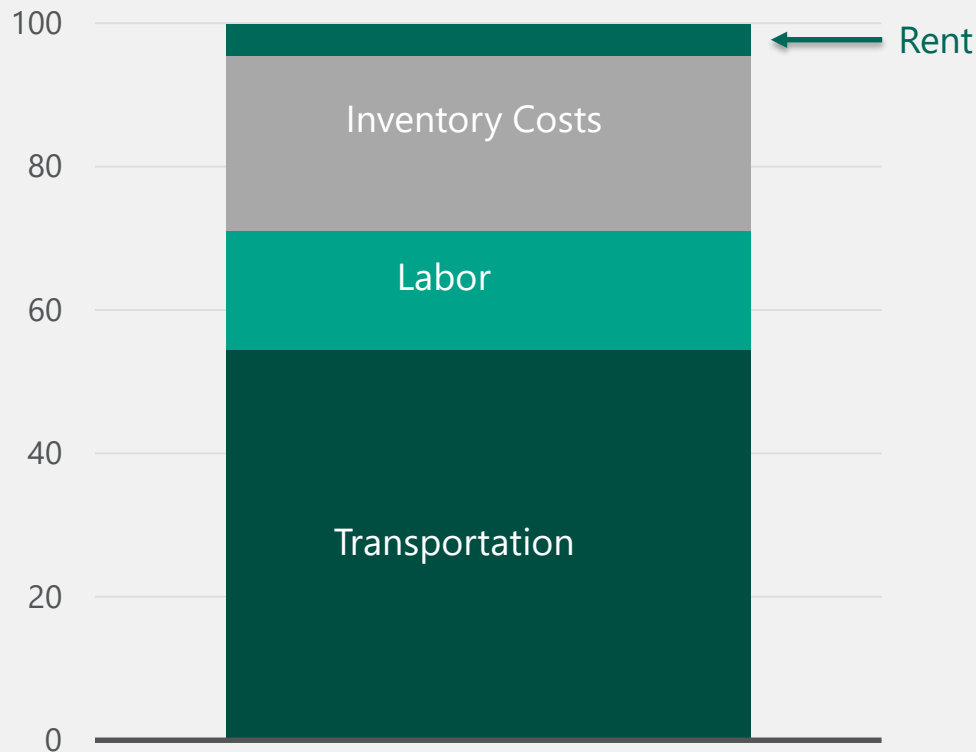
The structural decline of cap rates mitigated rent growth

Inflation-adjusted market rents well below the prior peak

Note: Global based upon Prologis share of NOI by geography, specifically 78% Americas, 18% Europe, 3% Japan and 1% China. Estimates of inflation-adjusted market rents based on IMF historical inflation data and Prologis Research estimates of historical Prologis share of NOI by geography  
Source: CBRE, JLL, DTZ, Prologis Research

# Logistics Rents Have Room to Grow

## Distribution of Supply Chain Costs



Rent accounts for <5% of total supply chain costs

Expect this composition to change as supply chains become more efficient

- Transportation costs will decrease with advances in technology
- Rent will increase as customers seek quality locations near major population centers to meet consumer delivery requirements



## Section 03

# Why Prologis

Prologis Torrance Distribution Center, Torrance, California



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

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

*Prologis Park Osaka #2, Osaka, Japan*

# Prologis at a Glance

FOUNDED IN

1983

ASSETS UNDER MANAGEMENT <sup>(2)</sup>

\$90B

GLOBAL

100

MOST SUSTAINABLE CORPORATIONS <sup>(1)</sup>

756 MSF

ON FOUR CONTINENTS <sup>(2)</sup>

NYSE: PLD

S&P 500 MEMBER

CREDIT RATING OF

A3/A-

Note: A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time  
Data as of June 30, 2018 unless otherwise noted

1. As of December 31, 2017

2. As of June 30, 2018, and inclusive of the DCT acquisition on August 22, 2018

# Serving the World's Best Brands



95%

Of our top 25  
customers operate  
globally

75%

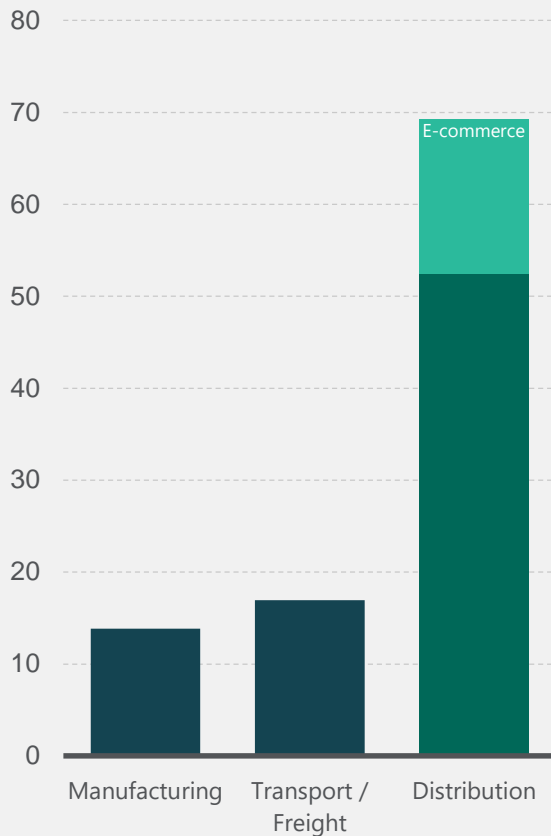
lease from us on  
multiple continents



# Consumer-Driven Business: Diverse by Customer & Industry

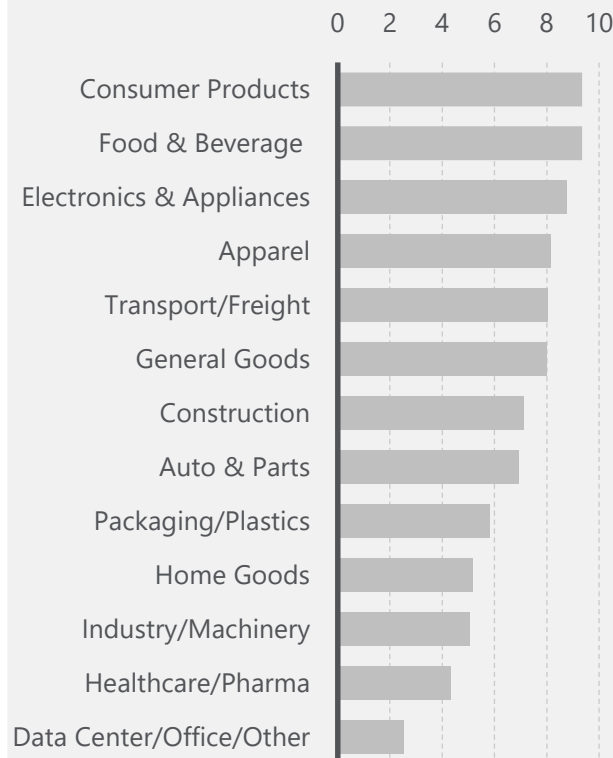
## Customer Activity in Building

%, NRA basis



## Type of Goods in Building

%, NRA basis



Our top 25 customers represent just

19%

of net effective rent

# Prologis is a Critical Waypoint for the Global Economy

## \$1.3 Trillion

is the economic value of goods flowing through  
our distribution centers each year

REPRESENTING

2.4%

of GDP for the  
19 countries where  
we do business

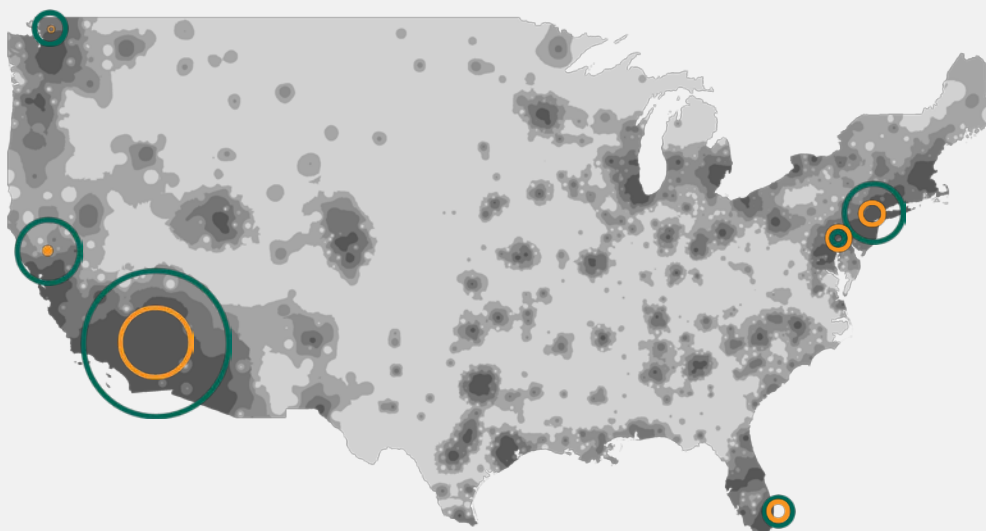
1.7%

of the  
World's GDP

# Our Portfolio is Located Near Consumers

## Portfolio Size by NRA, Prologis vs Sum of Logistics REITs

Major Coastal Markets

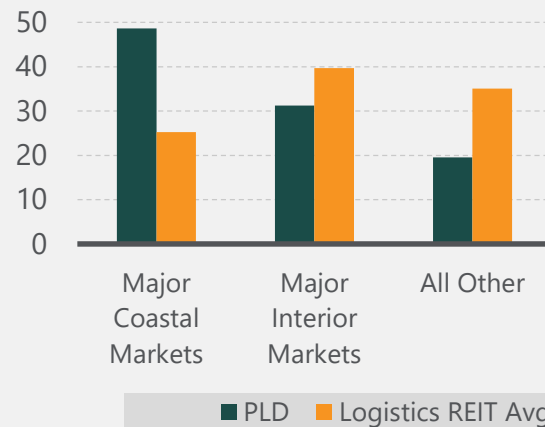


PLD

Other Logistics REITs

## 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

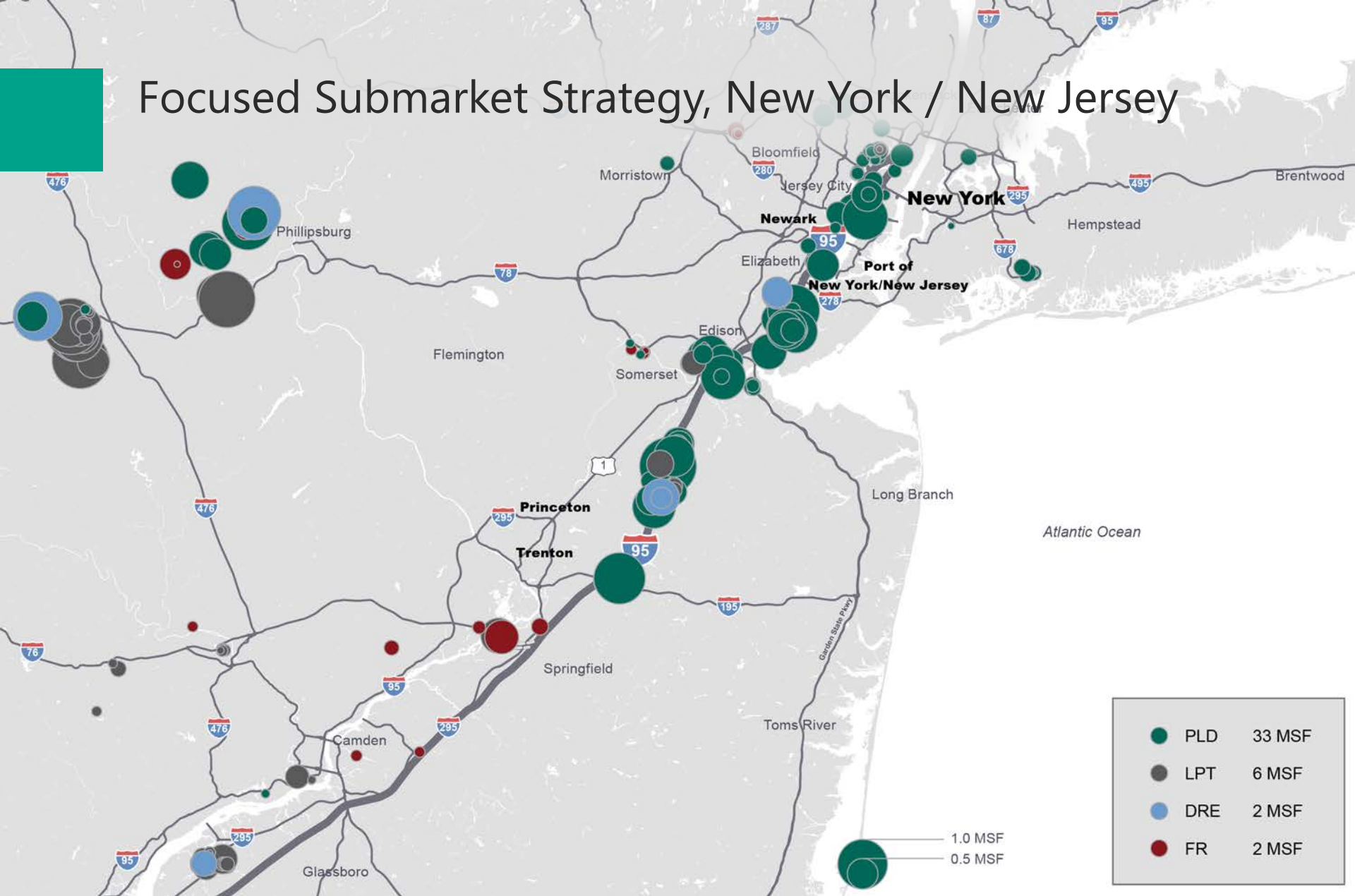


Source: Company filings as of June 30, 2018, Prologis Research. Prologis reflects Owned & Managed portfolio and inclusive of the acquisition of DCT on August 22, 2018. JV development data unavailable for certain companies, therefore information with respect to those companies includes CBRE and CoStar data

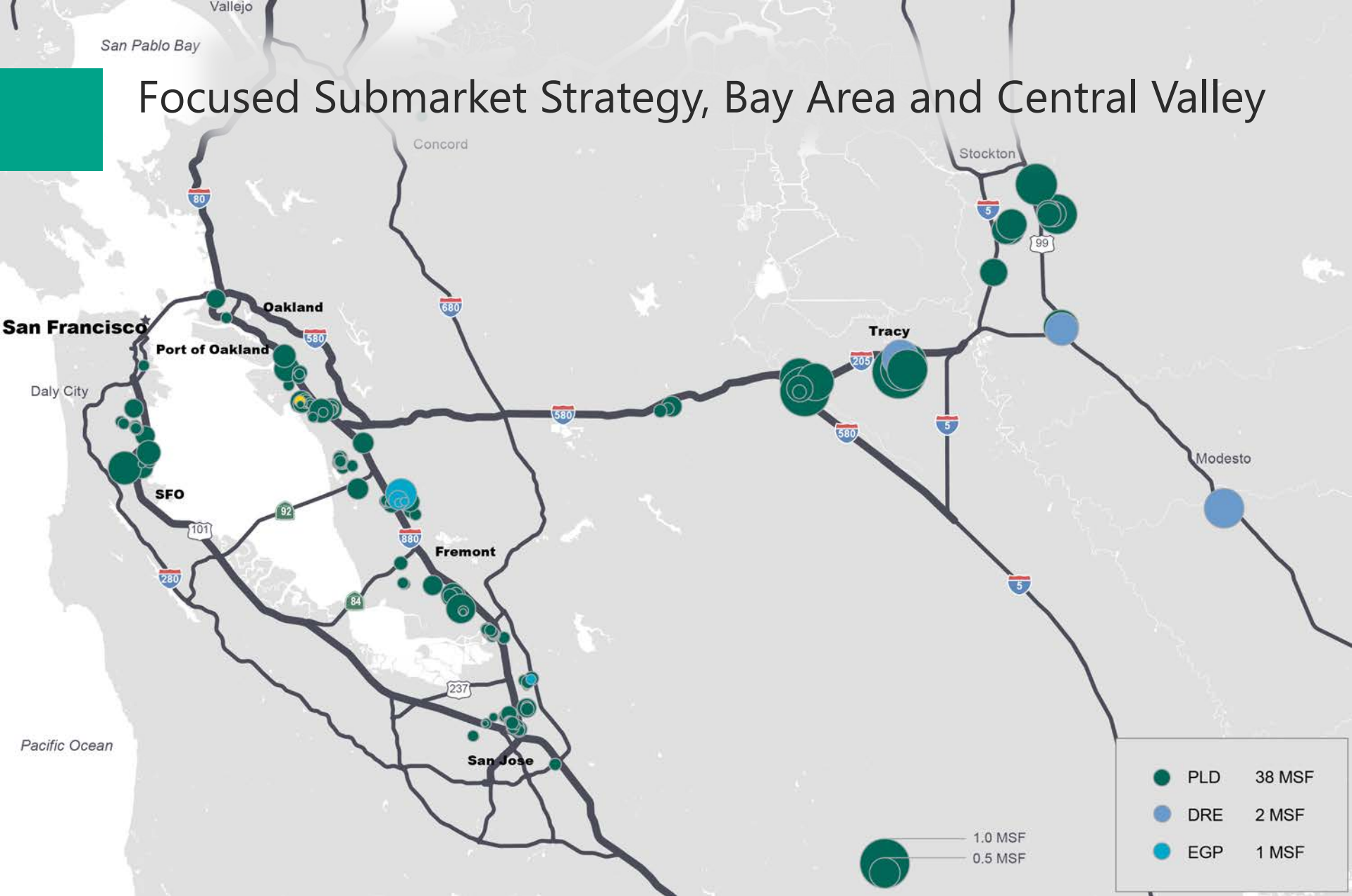
Note: For all companies, properties in San Diego not shown on map



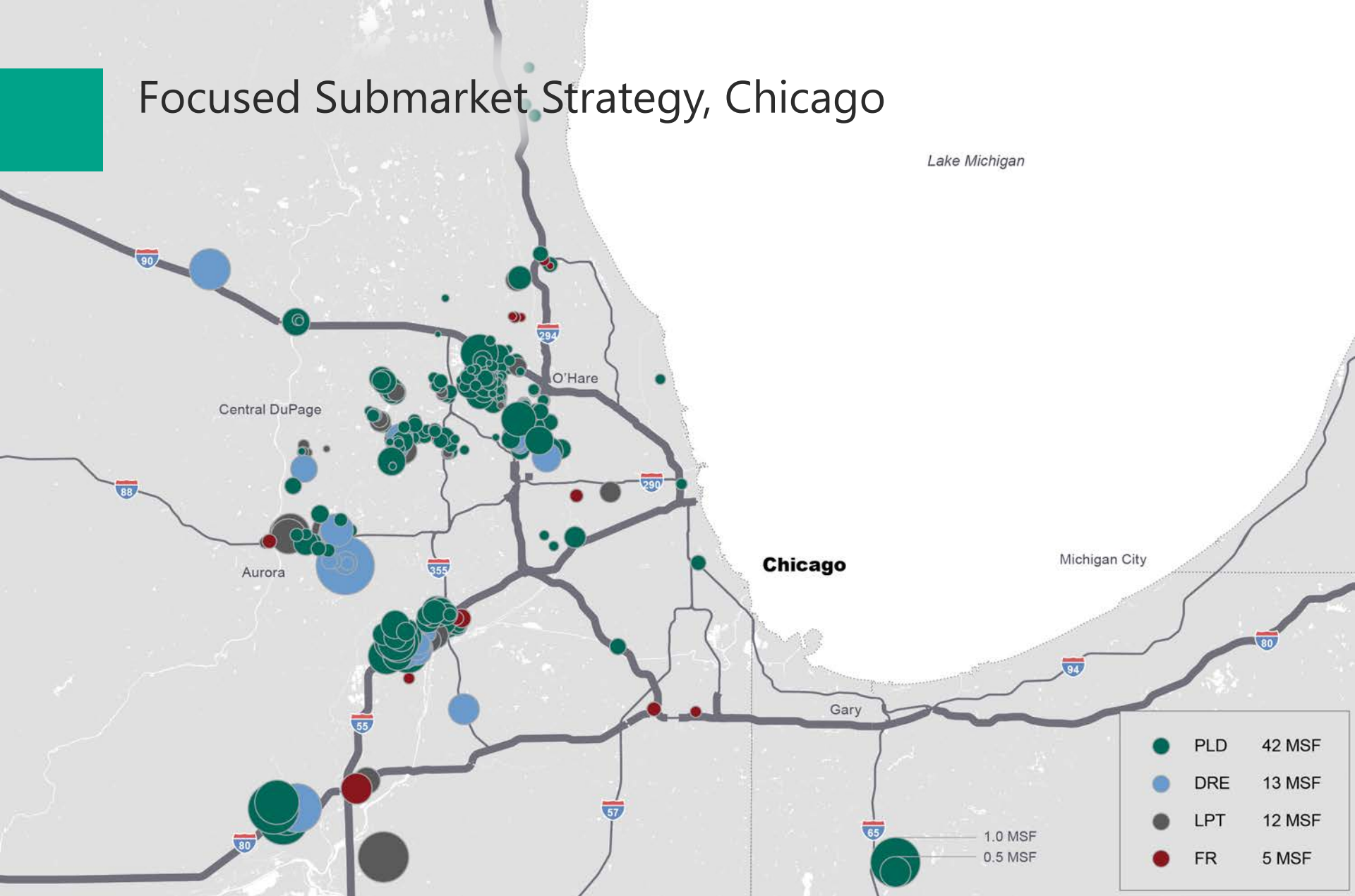
# Focused Submarket Strategy, New York / New Jersey



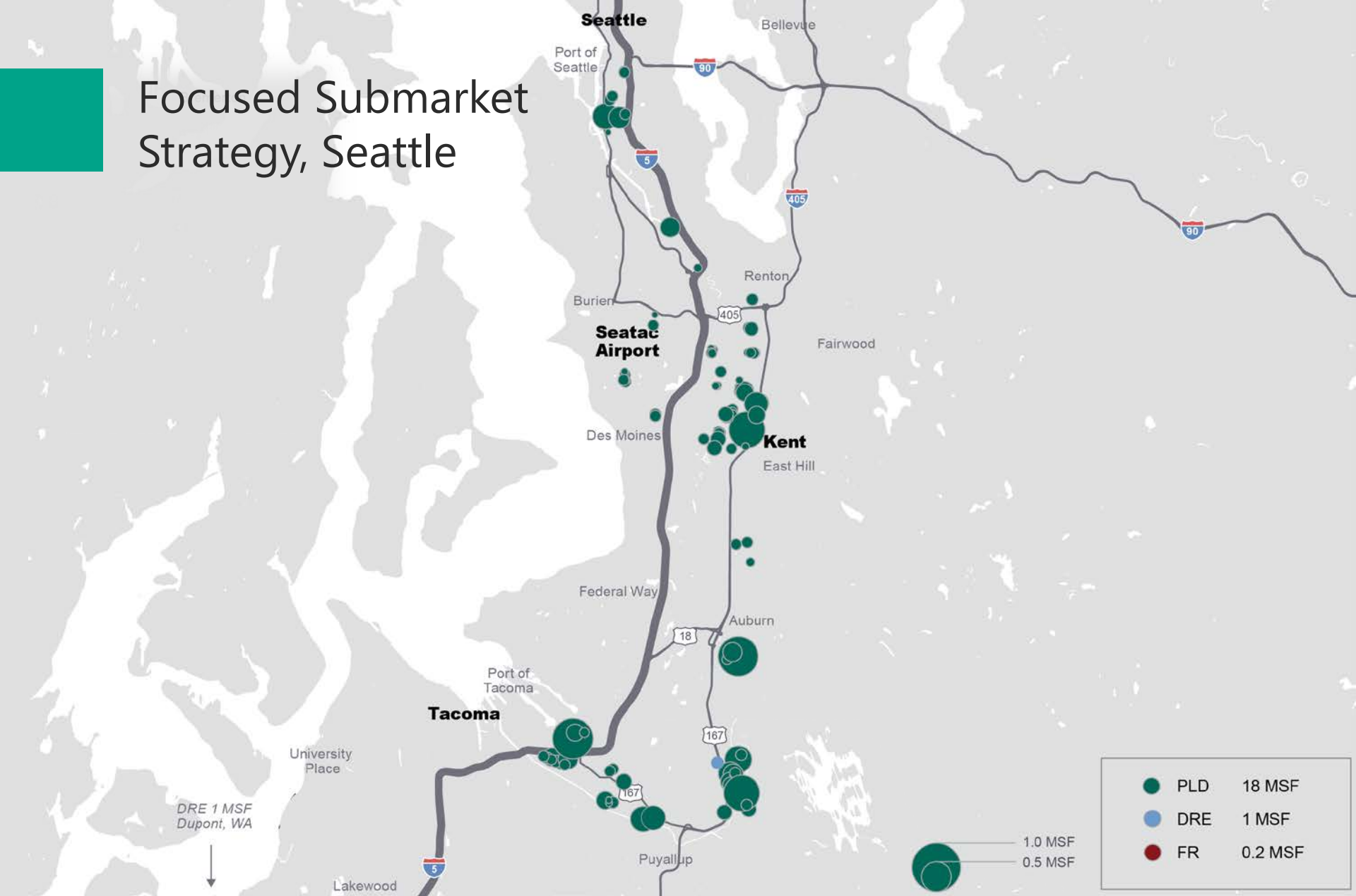
# Focused Submarket Strategy, Bay Area and Central Valley



# Focused Submarket Strategy, Chicago



# Focused Submarket Strategy, Seattle





# Seattle Multi-Story Case Study



● Prologis assets



# Benefits of a Focused Strategy

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

RENT GROWTH

+105 bps

Annual Difference

2012-2017. 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 2017<sup>(1)</sup>

Prologis LAX Cargo Center, Los Angeles, California

# Location and Quality Matter

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

Prologis has superior organic and external growth potential





# Appendix

*Prologis Kaiser Distribution Center, Fontana, California*

# Sustainability Initiatives Have Numerous Benefits

## Environmental

- Minimizes energy and water consumption and greenhouse gas emissions
- Provides opportunities for renewable energy and storage

## Social

- Improves wellness and productivity
- Increases community involvement and charitable giving

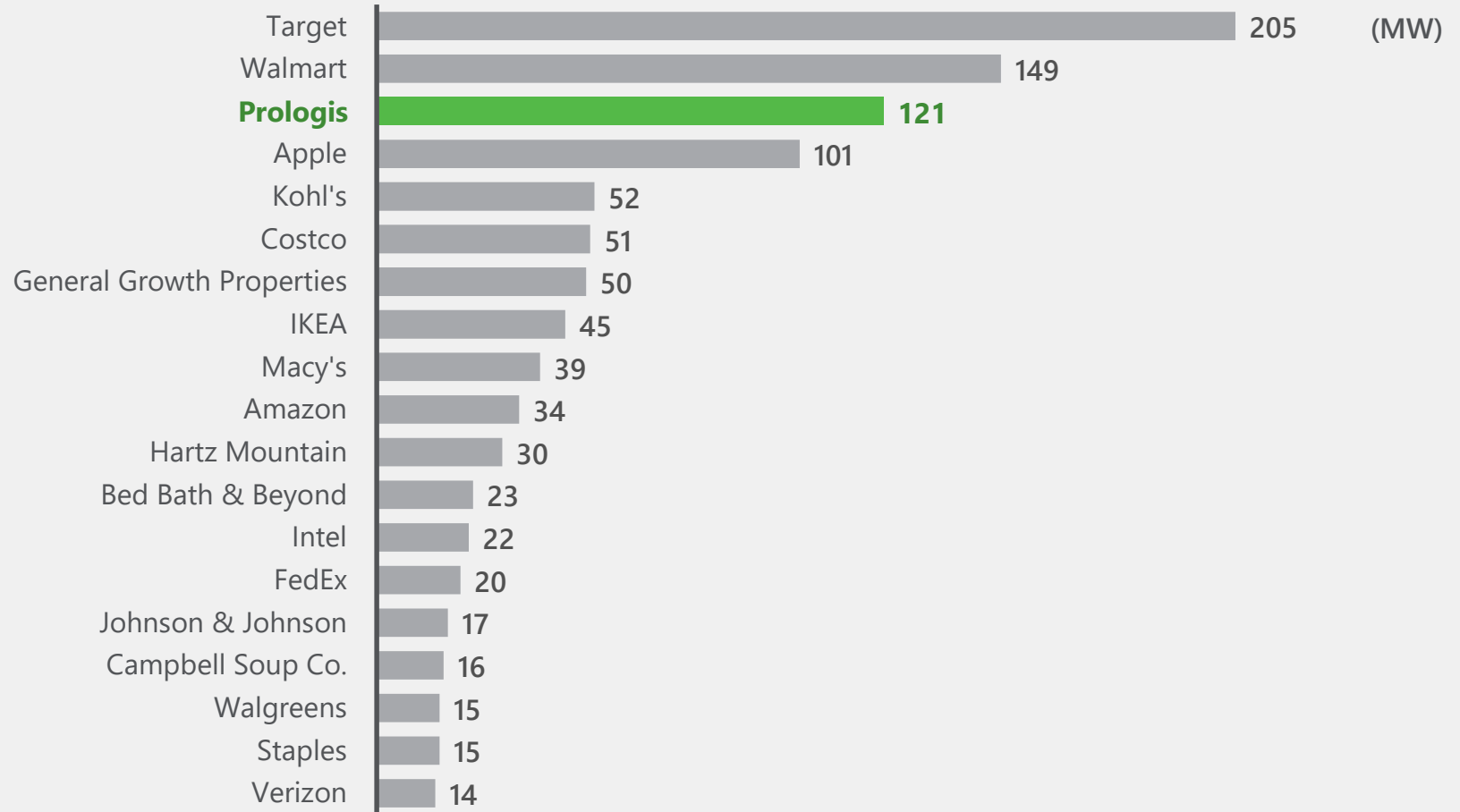
## Economic

- Lowers operating costs for our customers
- Contributes to higher occupancy and retention rates
- Enhances asset values
- Improves infrastructure
- Influences the industry globally





# Top-20 Corporate Solar Producers by Installed Capacity



# Thinking Responsibly Means Thinking Outside the Box



Bee hives at Prologis facilities in France



Utilizing EPDM stone from a roof replacement for erosion control in Chicago



DIRFT Wildlife Preserve in the U.K.



**American  
Red Cross**

**Prologis Foundation** and  
our **Space for Good**  
support disaster relief



**coo|earth**

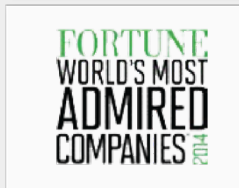
**Prologis** supports efforts to save  
the rainforest as part of our carbon  
mitigation program

# Leading by Example



Prologis Partners with Cool Earth

- Recognized as one of the world's most sustainable companies (since 2008) <sup>(1)</sup>
- First logistics real estate company to file an annual sustainability report with GRI (since 2006)
- Awarded 10 of 10 GRESB Green Stars: Sector leader in N. America and Asia (2017)
- Received NAREIT's Industrial Leader in the Light in sustainability (every year since 2011)
- Harvard Business Review: Best-Performing CEOs in the World (2016)
- Newsweek: Top Green Companies in the U.S. (every year since 2013)
- Corporate Governance Awards: Finalist for Best Proxy (2016 + 2017)



# Ranked #1 REIT in Governance for 15 Consecutive Years<sup>(1)</sup>

## Director Independence

- All directors, other than the CEO, are independent
- No related-party transactions
- All directors attended 75% or more of board or committee meetings

## Director Qualifications

- Annual evaluation process administered biennially by third party
- Diverse skills with broad, relevant experience
- Age / tenure policy: 72 years maximum / tenure evaluated through extensive annual board evaluation process

## Board Leadership

- Lead independent director with significant authority and responsibilities
- Chairman and CEO policy gives board flexibility to determine best candidate for position

## Strong Stockholder Rights

- Adopted 3/3/20/20 proxy access (2016)
- Directors elected annually; irrevocably opted out of Maryland staggered board provisions (2014)
- Majority vote is standard in uncontested director elections (2007)
- No shareholder rights plan ("poison pill")
- Shareholders can amend bylaws with majority vote (1997)

