

The Henry Fund

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Prologis, Inc. (PLD)

Real Estate – Industrial Real Estate

March 8, 2024

Stock Rating

HOLD

Investment Thesis

We recommend a **HOLD** rating for Prologis with a target price range consisting of \$126 - \$129. We feel Prologis provides the safest exposure to the real estate industry at this time. Prologis dominates the industrial REIT market, and we expect the company to continue to power through hardened economic conditions.

Drivers of Thesis

- Prologis (\$126.4B) is over 10x bigger than the 2nd biggest industrial REIT (Rexford: \$11.1B) in terms of market cap and will continue to be the leader in industrial real estate for the foreseeable future.
- Prologis boasts a strong balance sheet with over \$88 billion in real estate property investments with management indicating it will continue to direct capital into expanding their real estate square footage in the coming years.
- Inflation in the U.S. has been a rising concern over the last few years but Prologis benefits from being able to raise rental rates, providing a natural hedge against inflation.

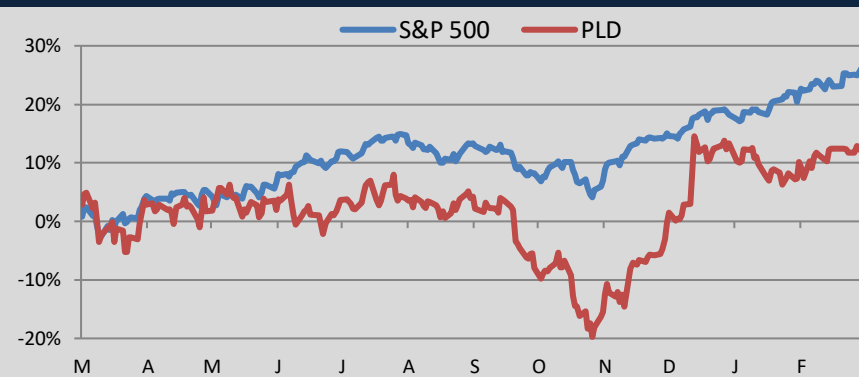
Risks to Thesis

- If interest rate cuts are continuously delayed throughout 2024, Prologis' ability to expand its real estate portfolio in 2024 due to consumer spending declining.
- Zoning restrictions could provide a headwind to expanding property development for Prologis. Zoning restrictions in the U.S. limit the space in which industrial properties can be built providing a limited supply.

Funds from Operations (FFO) Estimates

Year	2021	2022	2023	2024E	2025E	2026E
FFO	\$4.15	\$5.16	\$5.61	\$5.50	\$6.22	\$6.93
HF est. growth		24.3%	8.7%	(2.0%)	13.1%	11.4%

12 Month Performance



Target Price

\$126-129

Henry Fund DCF	\$129
Henry Fund DDM	\$126
Relative Multiple	\$129

Price Data

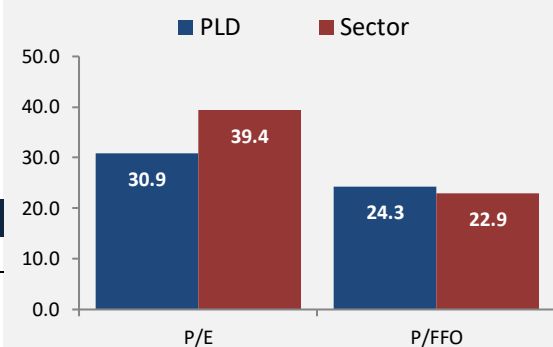
Current Price	\$129.02
52wk Range	\$96.64 – 137.52
Consensus 1yr Target	\$145.43

Key Statistics

Market Cap (B)	\$126.4
Shares Outstanding (M)	924.4
Institutional Ownership	96.3%
Beta	1.26
Dividend Yield	2.9%
Est. 5yr Growth	8.6%
Price/Earnings (2024E)	30.9
Price/Earnings (2025E)	25.6
Price/FFO (2024E)	24.3
Price/FFO (2025E)	21.4

Profitability

Operating Margin	46.2%
Profit Margin	38.1%
Return on Assets (TTM)	3.3%
Return on Equity (TTM)	5.7%



Company Description

Prologis was founded in 1991 by Hamid Moghadam and is based out of San Francisco, CA. Prologis operates in the Real Estate and Strategic Capital segments with the goal of providing solutions in logistics and industrial real estate. Their Real Estate segment operates through owning and developing industrial properties globally. Their Strategic Capital segment operates through management of co-investment ventures and other unconsolidated entities.

Important disclosures appear on the last page of this report.

COMPANY DESCRIPTION

Prologis, Inc. (PLD) is the industry leader in logistics real estate with over 1.2B square footage across 5,613 properties in 4 international geography segments. The company focuses on developing and owning properties primarily in the U.S. as well as the rest of North America, South America, Europe, and Asia. The company's real estate portfolio also contains its strategic capital segment which refers to its management of co-investment ventures and other unconsolidated entities.

Prologis is the industry leader by a very wide margin. It has and will continue to dominate the industrial real estate market for the foreseeable future. The company is over 10x bigger than the 2nd biggest industrial REIT all while maintaining a very high occupancy rate. For size comparison, the table below shows PLD compared to its peers: Rexford Industrial Realty (REXR), EastGroup Properties (EGP), First Industrial Realty Trust (FR), and LXP Industrial Trust (LXP).

Company	Market Cap	Total Sqft (Millions)
PLD	\$125,869	1,200
REXR	\$11,779	45.9
EGP	\$8,652	52
FP	\$7,238	62.9
LXP	\$2,640	54

They also provide industrial spaces for some of the biggest companies in the U.S. A breakdown of their top 10 tenants is as follows:

Tenants	% of Net Rent
1. Amazon	6.4%
2. Home Depot	2.2%
3. FedEx	1.9%
4. UPS	1.0%
5. Geodis	0.9%
6. Wal-Mart	0.8%
7. DHL	0.8%
8. Wayfair	0.6%
9. DSV Panalpina	0.6%
10. NFI Industries	0.6%
Total	15.8%

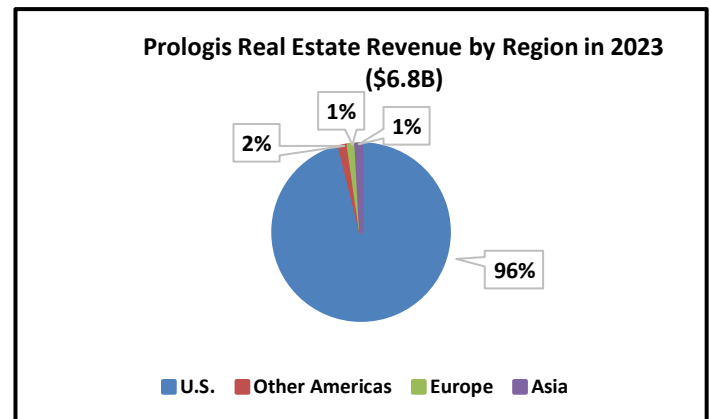
Source: 2023 PLD 10-K_[5]

Prologis has built a good working relationship with Amazon but leasing out 6.4% of their consolidated square

footage raises a few risks. The biggest being that Amazon could potentially try to build its own warehouses or take their business elsewhere. Zoning restrictions and the high quality of properties in Prologis' portfolio help mitigate those risks.

Real Estate Segment

Prologis has utilized its real estate segment to generate just over 85% of their total revenue in 2023 with a large focus on the U.S. market. Revenue in this segment is derived primarily through rental revenue from operating properties with tenants. Development management is also included in the company's real estate revenue, but it made up less than 0.1% of the segment's revenue in 2023. The company has made it a priority to own and operate properties in the U.S. market compared to its 3 other operating regions. A breakdown of real estate revenue by region is shown below:



Source: 2023 PLD 10-K_[5]

Prologis is the only public industrial REIT that holds real estate in international regions. While the company's focus continues to be the U.S. market, operating real estate internationally has allowed the company to have some diversity and begin to grow in these regions.

Prologis strives to provide clients with diversified properties suited to each of their needs. The company break down their 3 property types as the following:

- **Manufacturing:** Various properties designed for both heavy manufacturing and light assembly with high ceilings and loading docks for trucks.
- **Storage and Distribution:** Distribution warehouses used to ship goods to consumers. General warehouses are typically used more for

storage of goods. Truck terminals are typically quick meeting sites where goods are changed from truck to truck.

- **Flex Space:** Research and development space, data centers for clients to manage their network connectivity and store their data and showroom properties such as a car dealership^[24].

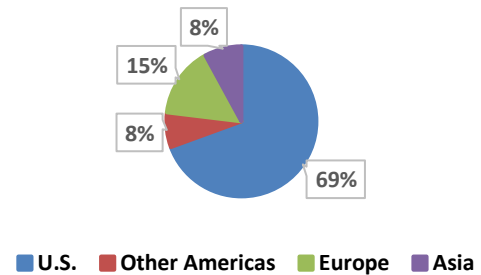
Occupancy rates for the real estate segment have remained high for Prologis through 2023. This was a great result considering the industry average occupancy rate dropped to in 2023. The company’s reported an occupancy rate of 97.6%^[4] which puts them in a great position for 2024 to continue capital expenditures into developments without fear of providing an excess of property supply. With a high occupancy rate, continuing development is integral to company growth as it does not want to be put in a spot where the company do not have any available properties for their top tenants.

Prologis currently has a 5.16%^[4] capitalization rate (cap rate) which is above the industry average of 5%. A cap rate is the net operating income divided by its property’s market value. A high cap rate is expected of Prologis as it maximizes the returns on their operating properties. To an investor looking to invest in Prologis, a high cap rate also signifies a lower expected return on investment supplemented with less risk. Considering Prologis’ market share and strong balance sheet, a high cap rate is justified and will continue to be higher than the industry average for the foreseeable future.

Strategic Capital Segment

The strategic capital segment was responsible for just under 15% of the company’s revenue and is unique to Prologis compared to its peers. Prologis is the only major industrial REIT that utilizes strategic capital to generate revenue. The company generates revenue through managing various co-investment ventures and other unconsolidated entities. This has also provided the company with opportunities to partner and build relationships with various large institutional investors. This has allowed them to generate and grow business operations at a greater rate internationally than their real estate segment. A breakdown of strategic capital revenue by region is shown below.

Prologis Strategic Capital Revenue by Region in 2023 (\$1.2B)



Source: 2023 PLD 10-K^[5]

Gaining access to international real estate investments through strategic capital has allowed Prologis to build various funds and diversify their portfolio. These funds provide steady long-term cash flows with minimal capital investment after the initial investment is made by Prologis. The company holds significant ownership interests (between 15-50%) in all 10 of their unconsolidated co-investment ventures which allows them to limit their exposure to foreign currency movements for international investments. These funds include:

- Targeted U.S. Logistics Fund: Private
- European Logistics Fund: Private
- China Core Logistics Fund: Private
- European Logistics Partners: Private JV
- China Logistics Ventures: Private JV
- U.S. Logistics Venture: Private JV
- Japan Logistics Fund: Private Club
- FIBRA Prologis: Public
- Nippon Prologis REIT: Public

Debt Maturity Analysis

In a current economy where debt has been a massive struggle for many companies, Prologis has done relatively well. Throughout 2023, the company announced it issued \$12.3 billion of debt with a weighted average interest rate of 4.5% and term loan of 9.6 years^[25]. The company also reported that in Q4 of 2023, the company issued \$286 million with a weighted average interest rate of just 2% and an average term loan of 4 years^[25]. Gaining access to capital at such a low rate is due to Prologis’ borrowing capacity of over \$20 billion and liquid assets of over \$4 billion. The company’s 5-year debt maturity is provided in the table below:

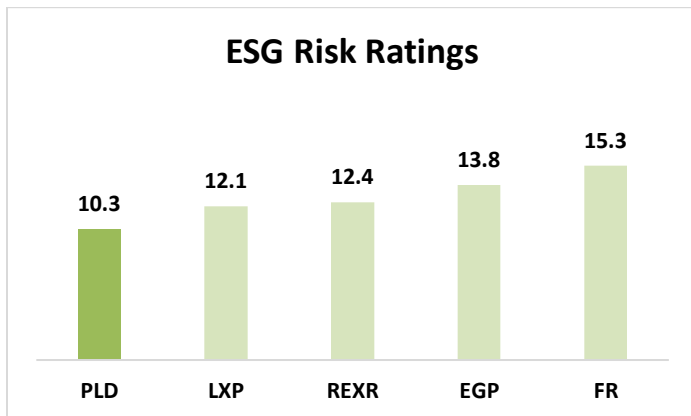
Maturity Year	Total Debt (thousands)	WA Interest Rate
2024	\$530,519	2.0%
2025	\$940,122	3.2%
2026	\$2,418,701	3.3%
2027	\$2,420,175	2.0%
2028	\$2,697,083	2.9%
Thereafter	\$20,570,702	2.9%

Source: 2023 PLD 10-K^[5]

After their acquisition of Duke Realty, the company did take on some floating rate debt that has not been beneficial as interest rates have climbed steadily. Fixed rate debt still accounts for 90.9% of the company’s total debt. Prologis also holds debt in various currencies which is used to invest in international properties to reduce the impact of exchange rates. The company has an A rating (S&P) and should not have any issue with paying off their debts in the forecasted timeline.

ESG Analysis

Given the constant construction and development that industrial REITs partake in, the industry has done a very good job at limiting their risk towards ESG issues. Below is the distribution of ESG risk ratings among Prologis and their peers (LXP: LXP Industrial Trust, REXR: Rexford Industrial Realty, EGP: EastGroup Properties, and FR: First Industrial Realty Trust):



Source: Sustainalytics^[27]

First Industrial is the only peer labeled as moderate risk while the rest of the peers are labeled low risk. Prologis features the lowest risk rating among its peers and ranks 93rd out of 1,053 real estate companies^[27]. Prologis has made various sustainable development goals in order to improve the quality of both their properties and the environment. In 2019, the company made a goal of achieving net-zero emissions in operations by 2030 and in

their entire value chain by 2040. As of its latest report in 2023, they have reduced scope 1 and scope 2 emissions by 53% leaving them well on track to achieve their goals^[22]. A few other goals the company is on track to meet are shown below^[22]:

- Achieve 100% carbon neutral construction by 2025
- Install 1 gigawatt of solar capacity supported by storage by 2025
- Achieve a sustainable certification for every eligible new development and redevelopment

Prologis has prioritized ESG through their operations and should continue to make progress towards their sustainable development goals in 2024.

Overall, Prologis is the industry leader in almost every metric and should be positioned to succeed in the future. Even if occupancy rates and rental growth were to decline throughout 2024, Prologis has the capital and assets to push through soft market conditions in the meantime. Barring a catastrophic unforeseen event, Prologis will continue to be the industry leader by a wide margin in 2024. Between their international investments, prime property locations, constant push to develop new properties, and extremely high occupancy rates, we foresee Prologis bouncing back from a shaky 2023 and performing well in 2024 as we expect market conditions to harden.

Industry Overview

Industrial REITs are companies that participate in the industrial real estate market and specialize in owning income-generating properties that are used for manufacturing, storage, and/or distribution of goods. Industrial properties include warehouses, truck terminals, storage spaces, data centers, research and development centers, and showrooms. Industrial REITs own and operate these properties and rely on rental income for the majority of their revenue. Demand for industrial properties has remained consistent following the COVID-19 pandemic as companies have fully reopened their supply chains. Not only has demand continued to be prominent for industrial properties, but supply is also limited due to properties being restricted to certain city zones and needing various permits before developing new industrial properties. This increased demand and lack of readily available supply have enabled top industrial REITs to maintain a firm grasp on

the sector and grow at a steady rate. This growth is especially impressive due to REITs having limited capital that can be reinvested into the company. 90% of taxable income is required to be paid out to investors resulting in a maximum of 10% of taxable income that can be reinvested into the REIT to buy and manage more properties^[2]. REITs will often raise extra capital to offset the lack of retained earnings to continue growing at an organic rate.

The leaders in the industrial REITs industry consist of 5 public corporations: Prologis (PLD), Rexford Industrial Realty (REXR), EastGroup Properties (EGP), First Industrial Realty Trust (FR), and LXP Industrial Trust (LXP).

Company	Market Cap	Revenue	Operating Margin	Net Margin
PLD	\$125,869	\$8,024	38.6%	38.1%
REXR	\$11,779	\$794	37.0%	28.6%
EGP	\$8,652	\$572	39.9%	35.0%
FP	\$7,238	\$614	39.8%	44.7%
LXP	\$2,640	\$341	18.3%	7.0%

Source: FactSet^[4]

Market Cap and Revenue displayed in millions; 2023 Q3 LTM Financials used.

Prologis is the largest player in the industrial REITs industry by a wide margin. Further analysis of these 5 companies and how they are positioned in the market will be detailed in the market and competition section.

A few key metrics/factors to consider in the industrial REIT sector include capitalization rates, occupancy rates, rental growth, and property locations.

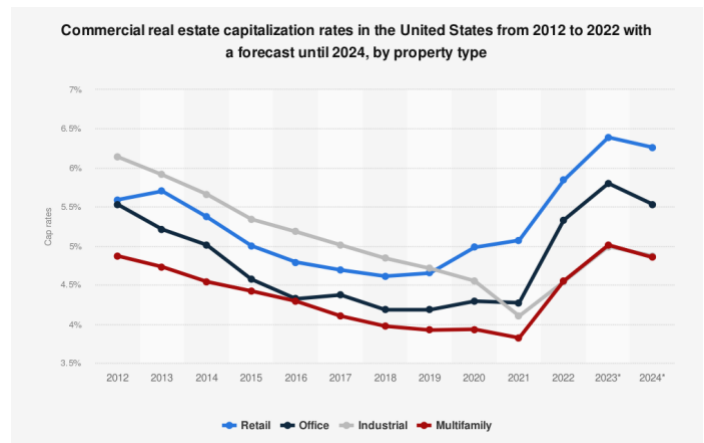
Capitalization Rates

Capitalization rates, often referred to as cap rates are calculated by dividing a property's annual net operating income (NOI) by the property's market value. Cap rates are influenced by various economic factors including interest rates, competition, real estate zoning and regulations, and monetary policy. What is determined as a good cap rate is very subjective from investor to investor. Typically, a higher cap rate correlates to a higher risk/return relationship and vice versa^[14].

Cap rates are an important factor when analyzing an industrial REIT as they help determine the value of the REIT's properties. A lower cap rate would typically mean investors can expect a higher expected return but of course, that comes with higher risk exposure. A higher cap

rate lowers the expected return of an investor but is not subject to as much risk.

The graph below shows how cap rates have fluctuated from 2012 to 2022. It must be noted that the values for 2023 and 2024 are projected values from 2022. While the values are not exact, it does accurately depict the trend that has occurred over the last 13 months so far. As interest rates continued to rise, cap rates increased as well throughout 2023. Now that the Fed has paused rate hikes and has even discussed potential rate cuts, cap rates are expected to begin to decline in 2024. As of 2023 Q3, national cap rates for industrial properties are sitting at 7% which represents a 0.8% increase from 2022 Q2^[14].

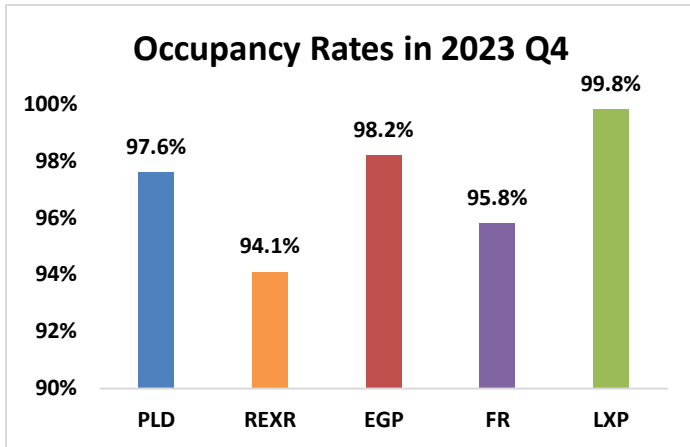


Source: Statista^[15]

Occupancy Rates

Occupancy rates are used in every real estate sub-industry and are used as a key metric to determine the strength of a given real estate market. Occupancy rates are calculated by taking the square footage of occupied space and dividing it by the total amount of available space.

Industrial REITs have been having great results when it comes to occupancy rates compared to other real estate markets. Industrial REITs are often leasing out their properties for multiple years at a time to tenants so it makes sense why they would have higher occupancy rates. The industry average for industrial REITs is sitting at 94.8% as of 2023 Q4^[16]. Maintaining a high occupancy rate is crucial for industrial REITs, as they are reliant on rental income for the majority of their revenue. The graph below shows where some of the top industrial REITs stand in terms of occupancy rates heading into 2024.



Source: FactSet^[4]

LXP is a somewhat rare case where they have too high of an occupancy rate and has stunted their growth by not having properties available for new tenants. Overall, the average occupancy rate was significantly high over the past 3 years, so the drop in the industry average is not a big concern. If a REIT fails to occupy its properties with tenants, it raises a red flag with investors as they are missing out on potential revenue. It is important to note that the fluctuation of occupancy rates can be dependent on macroeconomic shifts. Supply in industrial properties was at an all-time high in 2022 so it makes sense that the market is adjusting to more properties being available. In 2024, we project occupancy rates will drop by less than a percent through the end of the year as the market continues to adjust to the increased supply.

Rental Growth

The increase in the supply of industrial properties in 2022 has also started to affect rental growth rates. Rental growth is attributable to the percentage that rent per square foot rises during a given time. Rental rates in the industrial market grew in the U.S. at 10% which is down from 15.2% in 2022^[16]. Given the increase in supply resulting in a decrease in occupancy rates in Q4 2023, this result is not shocking. Rental rates only grew at 0.5% in Q4 which is low for a single quarter^[16]. While rental growth in Q4 was not a result that industrial REITs wanted, growing at 10% YoY is still a good result for 2023. Markets will continue to rebalance with decreasing occupancy rates in 2024 and historical data has shown that an occupancy rate in the 94-95% range still produces steady rental growth^[16].

OVERALL VACANCY & ASKING RENT



Source: Cushman & Wakefield^[16]

Property Locations

The whole objective of industrial properties is to manufacture products and get them shipped off to retailers, or directly to the consumer as efficiently as possible. To achieve this goal, the location of the property is integral to the success of the tenant. Not only does it matter what city or country the property is in, but other factors that need to be taken into consideration are city population, road systems, proximity to an airport, etc. With the increase in e-commerce, companies like Amazon have consumers wanting products shipped to their houses within 2 days. Having industrial properties in locations where traffic is low, and products can be shipped off quickly directly correlates to a higher demand from tenants.

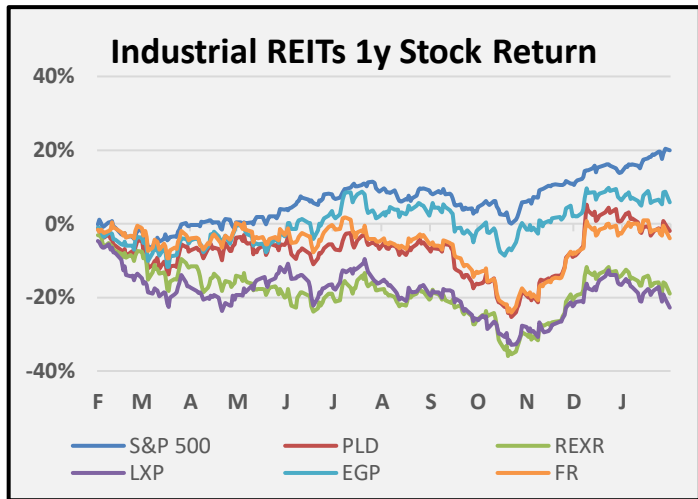
Purchasing land/properties in prime locations is essential for industrial REITs. Properties in prime locations typically reduce costs for the tenant and increase demand, rental rates, and occupancy rates. Every industrial REIT's top 2 revenue goals are increasing the number of tenants that want to rent your properties and generating a higher return from each property. Selecting properties in the right locations helps them achieve both of those goals.

There are guidelines and regulations, however, that REITs must follow when it comes to a property's location. Zoning and land use laws are common in the U.S. and ultimately decide where certain types of properties can and cannot be built. This is important when it comes to industrial REITs because manufacturing plants and distribution warehouses can often increase noise and traffic in a given town or city. Zoning laws consider what type of property is allowed in each area, ensure the area is not too congested,

take into account neighboring communities, and consider environmental impacts, among other factors^[17].

surrounding areas market. A pie chart below shows Rexford’s geographic distribution of their properties.

Peer Comparisons



Source: Yahoo Finance^[8]

The following 5 major industrial REITs will be compared and contrasted to determine who is best set up for success in 2024: Prologis (PLD), Rexford Industrial Realty (REXR), EastGroup Properties (EGP), First Industrial Realty Trust (FR), and LXP Industrial Trust (LXP).

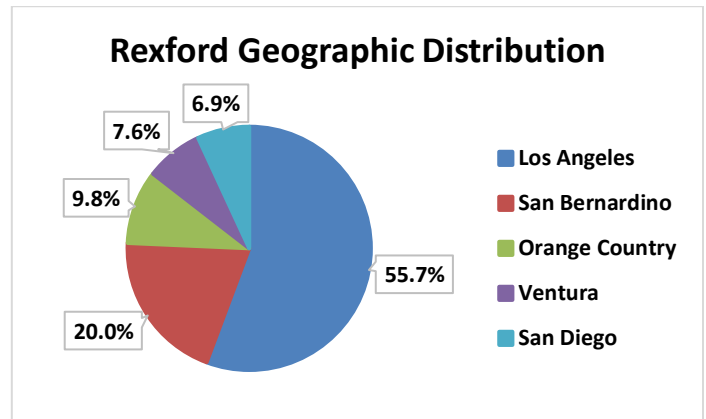
It is important to note that while stock performance is down among the 5 top industrial REITs, dividend yields remain high and are a massive factor in determining investment return over the year.

Rexford Industrial Realty, Inc. (REXR)

Market Cap (\$M)	\$11,779
FFO (\$M)	\$444.5
Cap Rate	4.23%
Occupancy Rate	94.1%
# of Properties	373
Square Footage (in millions)	45.9

Source: FactSet and 2023 REXR 10-K^[4, 9]

There is quite a drop off in terms of size from the industry leader Prologis to Rexford but that is not to take away from Rexford. Rexford is a relatively new REIT, founded in 2013, and has seen amazing growth over the past decade of their existence. What differentiates Rexford from the rest of the field is they only own properties in southern California. They maintain a firm grasp in the Los Angeles and



Source: 2023 REXR 10-K^[9]

It is worth noting that the southern California region is a massive reason why Rexford has experienced over 25% revenue growth YoY over the past 5 years^[4]. While they have been very successful in growing their revenue in southern California, it does provide some additional risk to have all their properties in one area. They are below average in occupancy rates and have a relatively small number of properties and square footage when compared to some of their smaller competitors. This is because property and land prices in southern California are high due to a lack of supply and a very high demand for industrial properties. Rental rates in Los Angeles have ranged from \$18.93 - \$20.55 per square foot; almost double the national average rental rate which was \$9.79 per square foot in Q3 of 2023. This extremely high rental rate has been able to offset the majority of Rexford’s deficiencies.

Overall, Rexford’s growth since they were founded is unmatched in the industry and we think they will continue to flourish in the southern California market. Revenue growth as high as 31.52%^[4], as they experienced in 2023, is not sustainable long-term and will likely come down in the coming years. For 2024, we foresee rent continuing to grow in the Los Angeles area due to limited supply and Rexford will continue growing at an above industry average rate.

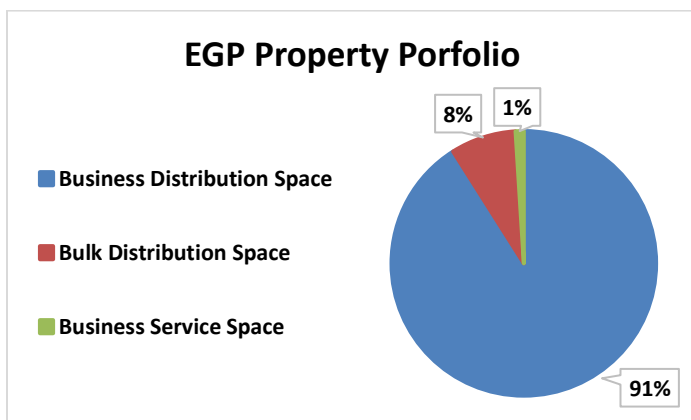
EastGroup Properties, Inc. (EGP)

Market Cap (\$M)	\$8,652
FFO (\$M)	\$349.1
Cap Rate	5%

Occupancy Rate	98.2%
# of Properties	488
Square Footage (in millions)	52

Source: FactSet and 2023 EGP 10-K_[4, 11]

EastGroup Properties is an industrial REIT that was founded in 1969. They are a solid company with consistent and organic growth over the past decade. EastGroup boasts an above-industry average occupancy rate with distribution properties concentrated in the sunbelt region of the U.S. EastGroup considers its core markets as the states of Florida, Texas, Arizona, California, and North Carolina_[11]. They specialize in providing space to tenants for distribution needs. Their portfolio is depicted in the graph below:



Source: 2023 EGP 10-K_[11]

EastGroup features a strong balance sheet and has been growing very nicely over the past decade. They have maintained their grasp on the distribution market within the U.S. and ultimately it is why they will continue to be successful throughout 2024. We foresee EastGroup continuing to grow revenue and FFO at a rate of about 15% which would put them in a position to have a good year of returns for investors.

First Industrial Realty Trust, Inc. (FR)

Market Cap (\$M)	\$7,238
FFO (\$M)	\$322.7
Cap Rate	4.88%
Occupancy Rate	95.8%
# of Properties	416
Square Footage (in millions)	62.9

Source: FactSet and 2023 FR 10-K_[4, 10]

First Industrial Realty Trust outlines its business strategy as focusing on 15 defined markets, typically along the U.S. coasts. The 15 U.S. Markets they operate in are:

Metropolitan Area	# of Properties	Occupancy
Atlanta, GA	23	99.0%
Baltimore, MD	14	89.8%
Central Florida	11	100%
Central/Eastern PA	25	100%
Chicago, IL	27	96.1%
Cincinnati, OH	8	98.9%
Dallas/Ft. Worth, TX	53	99.0%
Denver, CO	37	78.9%
Detroit, MI	16	100%
Houston, TX	29	78.6%
Minneapolis, MN	12	99.5%
Nashville, TN	7	81.4%
New Jersey	24	97.8%
Northern California	7	88.3%
Phoenix, AZ	17	98.0%
Seattle, WA	9	88.3%
South Florida	23	98.0%
Southern California	80	94.8%

Source: 2023 FR 10-K_[10]

Historically, First Industrial has valued properties in locations near ports so tenants can efficiently receive imported parts and materials. This has been a great strategy for property location but First Industrial has seen its revenue growth YoY be stagnant over the last 5 years compared to its peers. The trade war with China has hurt imports significantly and as a result, decreased demand for warehouse locations near ports. First Industrial has been increasing their footprint in major inland cities to combat this struggle, specifically Houston and Denver. Even with high occupancy rates in past years, First Industrial has struggled to raise rental rates. They have also been a victim of industry occupancy rates dropping in 2023. In their 10-K FY 2022, First Industrial reported an occupancy rate of 98.8%_[26]. That figure has dropped to just 95.8%_[4] in its 10-K FY 2023 report. They are balancing a delicate line between being overpopulated with little room for growth to now trying to make sure their properties are not overly vacated. While the trade war is certainly a factor, increased property supply within First Industrial's markets is concerning.

We project that First Industrial will have a below-average year in terms of performance as they slowly lose market share in the industry. We foresee their revenue growth

dropping in 2024 and they will need to revise their business strategy if they hope to continue being a top competitor in industrial real estate in the years to come.

LXP Industrial Trust (LXP)

Market Cap (\$M)	\$2,640
FFO (\$M)	\$199.6
Cap Rate	6.22%
Occupancy Rate	99.8%
# of Properties	116
Square Footage (in millions)	54

Source: FactSet and 2023 LXP 10-K_[4, 12]

LXP is the smallest of the 5 peers by a significant margin, but they have been in the industry for a while since it became a REIT in 1997. When comparing LXP to the other 4 REITs, it is clear they do not have the same level of assets and capital which makes them more susceptible to hardships during economic and industry distress. LXP has seen its revenue fluctuate significantly over the course of the past 5 years. In 2015, LXP transitioned from investing only 16% of its portfolio in industrial warehouses to over 98%_[12]. This change allowed LXP to reduce costs significantly, but its revenue and FFO have declined since 2015 as well. An additional risk factor is their top 5 tenants being responsible for 25.5% of their leased square footage_[12].

Tenant	% of Leased Square Feet
1. Amazon	7.1%
2. Nissan	5.4%
3. Kellogg	5.1%
4. Wal-Mart	4.3%
5. Black and Decker	4.2%
Total	26.1%

Source: 2023 LXP 10-K_[12]

In 2024, we expect industrial real estate to regain some traction in the market, LXP is not set up particularly well to bounce back. Even with a high lease rate, they have underperformed its peers each year since 2018. With interest rates continuing to be high for the foreseeable future as well, it will only be increasingly difficult for LXP to raise capital to grow its business in 2024.

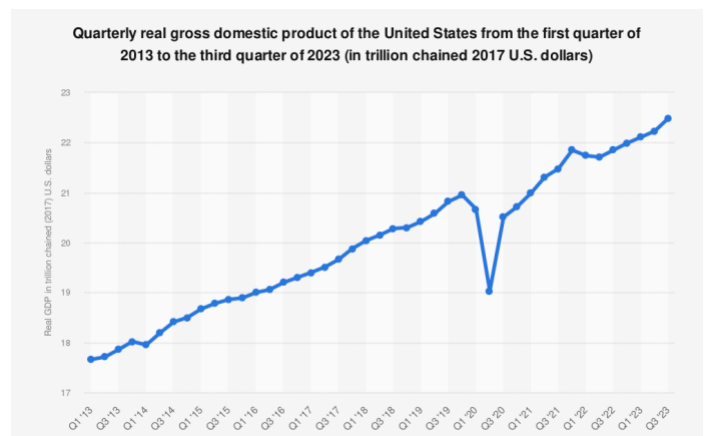
ECONOMIC OUTLOOK

The industrial real estate market, like most other markets, typically thrives when the economy is growing, and

consumer confidence is high. Real GDP growth, federal interest rates, and exchange rates are a few of the biggest macroeconomic factors that play a major role in the success of industrial real estate.

Real GDP Growth

Gross domestic product (GDP) is a metric that is used to gauge the overall health of the economy. The change in real GDP measures economic growth from one period to another and is adjusted for inflation and deflation. When real GDP grows at a high rate, it often indicates that the economy is growing and performing strongly. The graph below depicts the growth in real GDP in the U.S. by quarter since 2013.



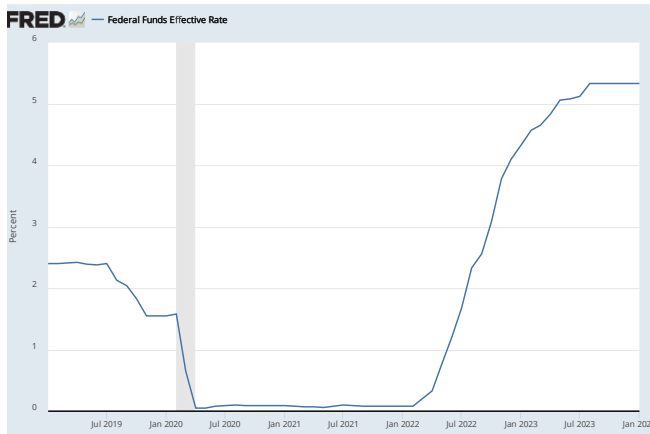
Source: Statista_[15]

The industrial real estate market performs best when real GDP is growing, and the economy is performing at a high level. When real GDP is increasing, real estate transactions increase, demand for industrial property increases, and tenants are willing to pay higher rental rates. We expect real GDP to grow at around 2% in the U.S. for 2024 which is still good it would be down from what it grew at in 2023 at 2.5%.

Federal Funds Rates

Jerome Powell, Chair of the Federal Reserve, has come out and said that rate cuts are on the way, but it will probably be longer than many were expecting. The graph below depicts how much interest rates have increased over the past 2 years. This has put increased economic stress on the

industrial real estate market as capital becomes more expensive and transactions in the sector have slowed^[20].

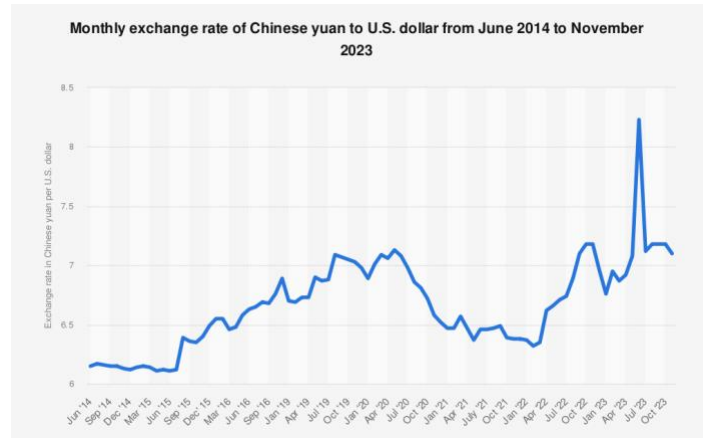


Source: FRED^[19]

By the end of 2024, we expect to see rates cut to 4.75%-5.00%. This will allow the industrial real estate market to ease a little of the economic stress and allow for more access to capital. The effects throughout 2024 should be positive but overall should be relatively small. If rates continue to decrease over the next few years, industrial REITs could benefit.

Exchange Rates

The industrial real estate market is affected by currency exchange rates, largely due to the cost of importing construction materials. Industrial REITs rely on importing various materials from various countries to develop land in the U.S. and build new properties. If the dollar were to depreciate against, for example: the Chinese yuan, it would be costly to import construction materials from China and could slow down construction development in the U.S. This affects industrial REIT's tenants heavily as they rely on China for various materials. The graph below depicts how the U.S. dollar has been exchanged with the Chinese yuan over the past few years.



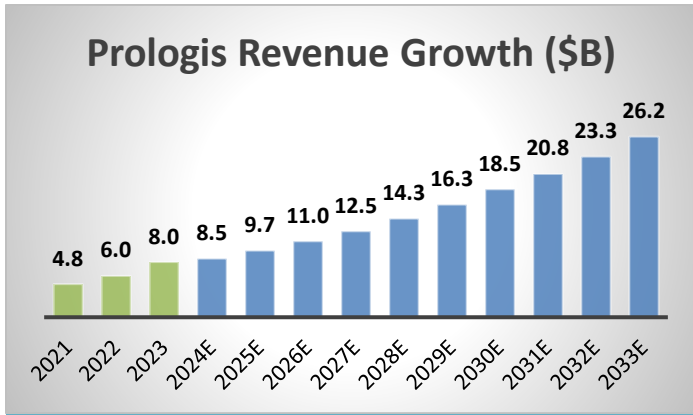
Source: Statista^[15]

We expect the U.S. dollar to Chinese yuan exchange rate to slightly increase throughout 2024 which would slightly increase construction development. As inflation in the U.S. seems to be coming down after the interest rates, we would expect construction projects to go on as scheduled in the industrial real estate market.

VALUATION

Revenue

We decomposed Prologis' revenue into their four operating regions (U.S., Other Americas, Europe, and Asia) for both its real estate and strategic capital segments. We then decomposed their real estate revenue in each region relative to the amount of square footage Prologis operates in each region. This allowed us to estimate the amount of revenue generated per square foot in each region and forecast revenue growth based on growth in square footage in each region. We also factored rental growth rates to increase the revenue per square foot by a standard rate. We used a historical average to find the rental growth rate Prologis has experienced in each region over the past 6 years. This was then modified to account for the increase in rental growth in 2023 that was largely due to increased inflation. The final rental growth rates are as followed and fall within Prologis' estimate of rent rates growing around 6% globally.



As interest rates are currently sitting at 5.50% and rate cuts have been delayed by the fed, Prologis will continue to be constricted in raising capital throughout the near future. We project this will slow investments in real estate properties and square footage will grow at a slightly slower rate in each region compared to 2023. As rate cuts are projected to come in 2025, we assume there will uptick in square footage growth. As we get into 2026-2029, we see an upward trend YoY in square footage growth in each region. Real estate companies have historically done very well coming out of rate tightening cycles and we project by 2026 we should start seeing a flourishing real estate market. The increase in demand for data centers and supply chain warehouses for e-commerce will also help supplement this increase in square footage growth as well.

Rental growth has been a hot topic of discussion in 2023 as the fed continues to try to decrease inflation. While Prologis has benefitted from increasing rental rates due to inflation, the cons outweigh the pros when it comes to developing and purchasing new projects to expand.

Region	Growth Rate
U.S.	10%
Other Americas	1.25%
Europe	11.25%
Asia	5%

We have assumed rental rates in each region will grow at these specified rates over the course of the next 10 years in each region. Increases in rental rates combined with expanding in square footage are the two drivers in forecasting revenue growth in Prologis’ real estate segment.

Prologis’ strategic capital segment operates a little differently in that they are paid a fee for managing co-

investment ventures and other unconsolidated entities. The company often invests in the funds they manage as well and offer top of the line expertise for investors to rely on in the industrial market. Coming off a great year in 2023 in the U.S., projections for 2024 indicate Prologis will focus growing real estate in Europe.

Cost Assumptions

The three main costs Prologis endures are rental expenses, strategic capital expenses, and G&A expenses.

Rental expenses relate directly to Prologis’ real estate segment, so we have forecasted the expense as a percentage of real estate revenue. The historical average over the past six years sits at 26.1%. Prologis had made a big acquisition of Duke Realty in 2022 however causing to modify our forecast percentage to the average between 2022 and 2023. Synergies from the acquisition has allowed Prologis to decrease their rental expense to an average of 24.18% which is the number utilized in our model.

Like rental expenses, strategic capital expenses directly relate to revenue generated in the strategic capital segment. The historical average over the past six years is 34.47%. Since Prologis’ acquisition of Duke Realty, strategic expense has dropped resulting in using an average of 2022 and 2023 and forecasting the expense at 30.65% of strategic capital revenue.

G&A expenses are applicable to all segments of the company and as a result are forecasted as a percentage of total revenue. Since the acquisition of Duke, synergies have allowed for a decrease in G&A costs as well. As a result, we used the average between 2022 and 2023 to forecast Prologis’ G&A expense as 30.66% of total revenue.

Value Drivers

NOPLAT and invested capital were calculated to find free cash flow (FCF), return on invested capital (ROIC), and economic profit (EP). The main driver in invested capital is the amount of funds Prologis has invested in real estate properties. Rental revenue, rental expenses, and depreciation are the main drivers behind our NOPLAT value. FCF and ROIC are utilized in our DCF model while EP will be utilized in our economic profit model.

WACC Assumptions

When deriving the weighted average cost of capital (WACC) we accounted for cost of equity, cost of debt, and cost of preferred stock.

The risk-free rate utilized in our cost of equity equation was 4.26% which represents the 10-year U.S. Treasury bond. A one-year U.S. T-bill was not utilized as we are forecasting out 10 years and it would not be as accurate of a depiction. The beta used in our equation is Prologis' 5-year weekly average derived from Bloomberg. The risk premium utilized in our equation is 5%, which is Henry Fund estimate. We arrived at a final cost of equity of 10.56%.

When calculating the cost of debt, the same risk-free asset of the 10-year U.S. Treasury bond was used. The pre-tax cost of debt was 4.79% which is represented by the YTM on Prologis' 10-year corporate bond. Since Prologis is a REIT and 90% of earnings have to be paid out as dividends, their marginal tax rate is 6%. This is the same rate they were taxed at in 2023. We arrived at a final cost of debt at 4.5%.

The cost of preferred stock was calculated as Prologis' annual preferred dividend of \$4.27 divided by their preferred share price of \$50. We arrived at a final cost of preferred stock of 8.54%.

These percentages were multiplied by the weightings of the market value of equity (80.53%), debt (19.43%), and preferred stock (0.04%) compared to the total market value of the firm to arrive at a final WACC calculation of 9.35%.

DCF Model

Our discounted cash flows (DCF) model begins with discounting the forecasted cash flows back to present value. The terminal value is calculated using the 2033 estimate for FCF with a continuing value (CV) NOPLAT growth of 3%, a CV year ROIC of 21.7%, and our WACC of 8.9%. Our assumption for 3% NOPLAT growth is a conservative estimate for long term growth based below the historical average of GDP. Non-operating adjustments are added/subtracted to arrive at a target price of \$128.53. We put the most weighting on our DCF model as we feel it most accurately depicts the potential return for Prologis in 2024, given the economic and industry landscape right now. While PLD could underperform the expected return for the market over 2024, we still believe it will be a safe

exposure to the real estate industry in 2024. This is lower than street estimates of \$145 due to conservative expectations for 2024.

DDM

Our dividend discount model (DDM) starts with our forecast of dividends per share (DPS). They are then discounted by our cost of equity of 10.56% (used in WACC) to present value. The other key assumptions used to find terminal value include a conservative estimate of 3% CV EPS growth and our 2033 estimate of 27.42% return on equity. We arrive at a target price of \$125.62. The DDM is our least weighted model and the low value is driven by our conservative estimate of 3% CV EPS growth and the cost of equity being driven up significantly by the increase in the U.S. 10-year Treasury bond.

Relative Valuation

Our last model was our relative valuation and we utilized P/E and P/FFO forecasts for 2024 and 2025. The peers used in the valuation consist of 4 industrial REITs: Rexford Industrial Realty, EastGroup Properties, First Industrial, and Terrano Realty Corp. Since P/E is not typically used when valuing a REIT, we chose to base our relative valuation on P/FFO. We arrived at a target price of \$127.36 by taking the average of our estimated P/FFO value in 2024 and 2025. The model was slightly underweighted compared to our DCF model due to the lack of peers that compare with Prologis' size. No other public REIT in the industry has the market cap, total assets, or access to capital remotely close to the level of Prologis.

Sensitivity Analysis

Six sensitivity tables have been formed to show how change different variables can affect the target price. Our DCF model is our highest weighted target price so five of the six tables will feature how our DCF target price would change. Variables consist of different assumptions utilized in our models. The twelve variables utilized are: WACC, CV Growth of NOPLAT, Equity Risk Premium (ERP), Beta, U.S. Rental Growth Rate, Other Americas Rental Growth Rate, European Rental Growth Rate, Asian Rental Growth Rate, Strategic Capital Expense %, Rental Expense %, Cost of Equity, and CV EPS Growth.

KEYS TO MONITOR

- If interest rates are not cut through the end of 2024, consumer confidence and e-commerce growth will decline and could have a negative impact on Prologis' future developments.
- If multiple rate cuts come in 2024, Prologis could be set up well to continue expansion and deploy capital both domestically and internationally for continued growth.
- During an election year, potential policies regarding zoning restrictions by political candidates should be monitored closely. Increased restrictions would decrease land supply and have an adverse impact on Prologis' ability to develop new properties.
- While a potential recession still looms in 2024, consumer spending and industrial property demand would decrease significantly.

Investment Summary

We feel Prologis ultimately provides the safest exposure to what is expected to be a down year in the real estate industry. Prologis is the leading company by a wide margin in the most favorable real estate sub-industry. Featuring a robust balance sheet paired with years of sustained profits, PLD will look to continue as an industry leader through hardened economic conditions for the real estate market.

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Prologis
Sensitivity Tables

CV Growth of NDPLAT	WACC							
	DCF	8.60%	8.70%	8.80%	8.90%	9.00%	9.10%	9.20%
128.52	150.11	146.38	142.79	139.23	135.94	132.69	129.53	
2.70%	151.76	147.96	144.28	140.65	137.30	133.98	130.77	
2.90%	153.47	149.59	145.83	142.13	138.71	135.32	132.04	
3.00%	155.25	151.27	147.44	143.65	140.16	136.70	133.36	
3.10%	157.09	153.02	149.10	145.23	141.66	138.13	134.72	
3.20%	159.00	154.83	150.82	146.86	143.21	139.61	136.13	
3.30%	160.98	156.71	152.60	148.55	144.82	141.14	137.58	

ERP	Beta							
	DCF	1.08	1.14	1.20	1.26	1.32	1.38	1.44
128.52	164.51	155.08	146.39	138.36	130.93	124.02	117.58	
4.70%	160.80	151.48	142.90	134.97	127.63	120.81	114.46	
4.90%	157.21	148.00	139.52	131.69	124.44	117.71	111.45	
5.00%	153.74	144.63	136.25	128.52	121.36	114.72	108.53	
5.10%	150.37	141.37	133.08	125.44	118.38	111.82	105.72	
5.20%	147.10	138.20	130.02	122.47	115.49	109.01	102.99	
5.30%	143.93	135.13	127.04	119.58	112.69	106.29	100.35	

Other Americas Rental Growth	U.S. Rental Growth Rate							
	DCF	9.25%	9.50%	9.75%	10.00%	10.25%	10.50%	10.75%
128.52	116.26	120.25	124.32	128.47	132.70	137.00	141.39	
0.95%	116.28	120.27	124.34	128.49	132.71	137.02	141.41	
1.05%	116.29	120.28	124.35	128.50	132.73	137.03	141.42	
1.15%	116.31	120.30	124.37	128.52	132.74	137.05	141.44	
1.25%	116.32	120.32	124.39	128.53	132.76	137.07	141.45	
1.35%	116.34	120.33	124.40	128.55	132.78	137.08	141.47	
1.45%	116.36	120.35	124.42	128.57	132.79	137.10	141.49	

Strategic Capital Expenses as % of Revenue	Rental Expenses as % of Revenue							
	DCF	21.18%	22.18%	23.18%	24.18%	25.18%	26.18%	27.18%
128.52	136.77	134.36	131.95	129.54	127.13	124.71	122.30	
27.65%	136.43	134.02	131.61	129.20	126.79	124.38	121.97	
28.65%	136.10	133.69	131.28	128.87	126.45	124.04	121.63	
29.65%	135.76	133.35	130.94	128.53	126.12	123.71	121.30	
30.65%	135.43	133.02	130.61	128.19	125.78	123.37	120.96	
31.65%	135.09	132.68	130.27	127.86	125.45	123.04	120.63	
32.65%	134.76	132.35	129.93	127.52	125.11	122.70	120.29	

Asia Rental Growth	European Rental Growth							
	DCF	10.50%	10.75%	11.00%	11.25%	11.50%	11.75%	12.00%
128.52	128.26	128.32	128.38	128.44	128.51	128.57	128.63	
4.25%	128.29	128.35	128.41	128.47	128.53	128.59	128.66	
4.50%	128.31	128.37	128.43	128.49	128.55	128.62	128.68	
4.75%	128.34	128.40	128.46	128.52	128.58	128.64	128.71	
5.00%	128.36	128.42	128.48	128.54	128.61	128.67	128.74	
5.25%	128.39	128.45	128.51	128.57	128.63	128.70	128.76	
5.50%	128.42	128.48	128.54	128.60	128.66	128.72	128.79	

Cost of Equity	CV EPS Growth							
	DDM	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%
125.62	129.41	130.22	131.06	131.91	132.79	133.70	134.63	
10.26%	127.36	128.13	128.93	129.76	130.60	131.47	132.36	
10.36%	125.35	126.10	126.87	127.66	128.47	129.30	130.16	
10.46%	123.41	124.13	124.86	125.62	126.40	127.20	128.02	
10.56%	121.51	122.20	122.91	123.64	124.38	125.15	125.94	
10.66%	119.66	120.33	121.01	121.71	122.43	123.16	123.92	
10.76%	117.86	118.50	119.16	119.83	120.52	121.22	121.95	

Prologis
Revenue Decomposition

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Prologis Operating Segments:													
Rental	4,147,994	4,913,171	6,818,542	7,674,147	8,660,333	9,774,376	11,047,689	12,527,584	14,222,966	16,099,924	18,125,460	20,384,968	22,911,386
Growth	9.41%	18.45%	38.78%	12.55%	12.85%	12.88%	13.03%	13.40%	13.53%	13.20%	12.58%	12.47%	12.39%
Strategic Capital	590,750	1,039,585	1,200,232	841,457	997,306	1,212,278	1,459,658	1,756,519	2,058,118	2,351,128	2,655,846	2,949,271	3,234,196
Growth	-7.26%	75.98%	15.45%	-29.89%	18.52%	21.56%	20.41%	20.34%	17.17%	14.24%	12.96%	11.05%	9.66%
Development Management & Other	20,696	20,936	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695
Growth	94.93%	-1.36%	-77.57%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Revenues	4,759,440	5,973,692	8,023,469	8,520,299	9,662,333	10,991,349	12,512,042	14,288,798	16,285,779	18,455,747	20,786,001	23,338,935	26,150,277
Growth	7.23%	25.51%	34.31%	6.19%	13.40%	13.75%	13.84%	14.20%	13.98%	13.32%	12.63%	12.28%	12.05%
Real Estate Revenue By Region:													
U.S.	3,967,180	4,726,072	6,558,051	7,392,038	8,354,038	9,440,314	10,662,376	12,126,633	13,782,161	15,615,188	17,592,384	19,798,644	22,266,348
Growth	10.19%	19.13%	38.76%	12.72%	13.01%	13.00%	13.16%	13.52%	13.65%	13.30%	12.60%	12.54%	12.46%
Other Americas	98,620	92,751	110,305	115,764	121,657	128,367	135,590	143,385	151,671	160,252	169,269	178,674	188,366
Growth	12.29%	-5.95%	18.93%	4.95%	5.09%	5.52%	5.63%	5.75%	5.76%	5.66%	5.63%	5.56%	5.42%
Europe	55,533	56,731	95,915	107,559	120,892	136,537	154,677	176,122	200,697	228,544	259,951	295,471	335,680
Growth	-19.28%	2.16%	69.07%	12.14%	12.40%	12.94%	13.29%	13.86%	13.95%	13.88%	13.74%	13.66%	13.61%
Asia	47,357	58,553	58,966	63,481	68,441	73,854	79,741	86,139	93,133	100,635	108,551	116,874	125,688
Growth	5.75%	23.64%	0.71%	7.66%	7.81%	7.91%	7.97%	8.02%	8.12%	8.06%	7.87%	7.67%	7.54%
Strategic Capital Revenue By Region													
U.S.	171,761	215,416	833,402	398,033	447,946	514,153	594,720	694,514	805,428	931,236	1,073,902	1,218,019	1,354,924
Growth	-51.59%	25.42%	286.88%	-52.24%	12.54%	14.76%	15.67%	16.78%	15.97%	15.62%	15.32%	13.42%	11.24%
Other Americas	58,655	82,462	89,783	96,283	103,919	110,715	117,845	125,304	133,061	141,124	149,578	158,418	167,638
Growth	55.60%	40.59%	8.88%	7.24%	7.93%	6.54%	6.44%	6.33%	6.19%	6.06%	5.99%	5.91%	5.82%
Europe	249,600	644,832	181,651	242,377	330,190	461,176	609,952	788,424	960,143	1,108,293	1,250,930	1,380,276	1,507,676
Growth	72.12%	158.35%	-71.83%	33.43%	36.23%	39.67%	32.26%	29.26%	21.76%	15.43%	12.87%	10.34%	9.23%
Asia	110,734	96,875	95,396	104,764	115,251	126,234	137,141	148,277	159,486	170,475	181,436	192,559	203,958
Growth	11.35%	-12.52%	-1.53%	9.82%	10.01%	9.53%	8.64%	8.12%	7.56%	6.89%	6.43%	6.13%	5.92%
Square Feet By Region													
U.S.	609	782	803	823	845	868	893	922	953	981	1,005	1,028	1,051
Rental revenue per million sqft	6.51	6.04	8.17	8.98	9.88	10.87	11.96	13.15	14.47	15.92	17.51	19.26	21.18
Growth	-1.30%	28.41%	2.69%	2.47%	2.74%	2.73%	2.87%	3.20%	3.32%	3.00%	2.42%	2.31%	2.24%
Other Americas	72	80	83	86	89	93	97	101	106	111	115	120	125
Rental revenue per million sqft	1.37	1.16	1.33	1.35	1.36	1.38	1.40	1.41	1.43	1.45	1.47	1.49	1.51
Growth	7.46%	11.11%	3.75%	3.65%	3.79%	4.21%	4.32%	4.44%	4.47%	4.35%	4.32%	4.25%	4.12%
Europe	215	240	242	244	246	250	255	261	267	273	280	286	292
Rental revenue per million sqft	0.26	0.24	0.40	0.44	0.49	0.55	0.61	0.68	0.75	0.84	0.93	1.03	1.15
Growth	7.50%	11.63%	0.83%	0.80%	1.03%	1.52%	1.83%	2.35%	2.43%	2.36%	2.24%	2.17%	2.12%
Asia	105	111	114	117	120	123	127	130	134	138	142	146	149
Rental revenue per million sqft	0.45	0.53	0.52	0.54	0.57	0.60	0.63	0.66	0.69	0.73	0.76	0.80	0.84
Growth	5.00%	5.71%	2.70%	2.53%	2.68%	2.77%	2.83%	2.88%	2.97%	2.91%	2.73%	2.54%	2.42%

Prologis, Inc.
Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Rental revenue	4,147,994	4,913,171	6,818,542	7,674,147	8,660,333	9,774,376	11,047,689	12,527,584	14,222,966	16,099,924	18,125,460	20,384,968	22,911,386
Rental recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic capital revenue	590,750	1,039,585	1,200,232	841,457	997,306	1,212,278	1,459,658	1,756,519	2,058,118	2,351,128	2,655,846	2,949,271	3,234,196
Development management & other revenues	20,696	20,936	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695
Total revenues	4,759,440	5,973,692	8,023,469	8,520,299	9,662,333	10,991,349	12,512,042	14,288,798	16,285,779	18,455,747	20,786,001	23,338,935	26,150,277
Rental expenses	1,041,316	1,205,738	1,624,793	1,855,991	2,094,500	2,363,931	2,671,882	3,029,794	3,439,822	3,893,764	4,383,640	4,930,102	5,541,116
Strategic capital expenses	207,171	303,356	385,542	257,918	305,688	371,580	447,405	538,398	630,842	720,653	814,054	903,993	991,326
General & administrative expenses	293,167	331,083	390,406	443,403	502,835	571,998	651,136	743,600	847,524	960,451	1,081,719	1,214,576	1,360,880
Depreciation & amortization expenses	1,577,942	1,812,777	2,484,891	2,836,192	2,969,967	3,107,056	3,247,718	3,392,279	3,541,322	3,695,144	3,853,538	4,015,980	4,182,403
Other expenses	22,435	40,336	53,354	57,095	64,747	73,653	83,843	95,749	109,131	123,672	139,287	156,394	175,233
Total expenses	3,142,031	3,693,290	4,938,986	5,450,599	5,937,738	6,488,219	7,101,984	7,799,820	8,568,642	9,393,685	10,272,238	11,221,045	12,250,958
Operating income before gains on real estate transactions, net	1,617,409	2,280,402	3,084,483	3,069,700	3,724,596	4,503,130	5,410,057	6,488,978	7,717,137	9,062,062	10,513,762	12,117,890	13,899,319
Gains on dispositions of development properties & land, net	817,017	597,745	462,270	924,637	1,048,572	1,192,799	1,357,827	1,550,644	1,767,360	2,002,848	2,255,731	2,532,780	2,837,871
Gains on other dispositions of investments in real estate, net	772,570	589,391	161,039	775,422	879,357	1,000,309	1,138,705	1,300,405	1,482,148	1,679,634	1,891,708	2,124,047	2,379,904
Operating income (loss)	3,206,996	3,467,538	3,707,792	4,769,759	5,652,525	6,696,238	7,906,590	9,340,027	10,966,645	12,744,544	14,661,201	16,774,716	19,117,093
Earnings from unconsolidated entities, net	404,255	310,872	307,227	325,661	345,200	365,912	387,867	411,139	435,807	461,956	489,673	519,054	550,197
Interest expense	(266,228)	(309,037)	(641,332)	(1,389,124)	(1,423,091)	(1,457,753)	(1,493,875)	(1,531,613)	(1,571,731)	(1,614,030)	(1,657,976)	(1,703,171)	(1,750,058)
Gains on real estate transactions, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency & derivative gains (losses) & other income (expense), net	165,278	241,621	87,221	-	-	-	-	-	-	-	-	-	-
Gains (losses) on early extinguishment of debt, net	(187,453)	(20,184)	3,275	-	-	-	-	-	-	-	-	-	-
Total other income (expenses)	115,852	223,272	(243,609)	(1,063,463)	(1,077,891)	(1,091,841)	(1,106,008)	(1,120,474)	(1,135,924)	(1,152,074)	(1,168,302)	(1,184,118)	(1,199,862)
Earning (loss) before income taxes	3,322,848	3,690,810	3,464,183	3,706,295	4,574,634	5,604,397	6,800,582	8,219,553	9,830,721	11,592,471	13,492,899	15,590,599	17,917,232
Total income tax expense (benefit)	(174,258)	(135,412)	(211,038)	(225,787)	(278,687)	(341,420)	(414,291)	(500,735)	(598,887)	(706,213)	(821,987)	(949,779)	(1,091,518)
Consolidated net earnings (loss)	3,148,590	3,555,398	3,253,145	3,480,508	4,295,947	5,262,977	6,386,290	7,718,818	9,231,834	10,886,257	12,670,911	14,640,820	16,825,714
Less net loss (earnings) attributable to noncontrolling interests	208,867	190,542	193,931	205,567	217,901	230,975	244,833	259,523	275,095	291,601	309,097	327,642	347,301
Net earnings (loss) attributable to controlling interests	2,939,723	3,364,856	3,059,214	3,274,941	4,078,046	5,032,002	6,141,457	7,459,294	8,956,739	10,594,657	12,361,815	14,313,177	16,478,413
Less preferred stock dividends	6,152	6,060	5,841	6,057	6,057	6,057	6,057	6,057	6,057	6,057	6,057	6,057	6,057
Loss on preferred stock repurchase	-	-	-	-	-	-	-	-	-	-	-	-	-
Net earnings (loss) attributable to common stockholders	2,933,571	3,358,796	3,053,373	3,268,884	4,071,989	5,025,945	6,135,400	7,453,237	8,950,682	10,588,600	12,355,758	14,307,120	16,472,356
Weighted average shares outstanding - basic	739,363	785,675	924,351	924,351	924,351	924,351	924,351	924,351	924,351	924,351	924,351	924,351	924,351
Net earnings (loss) per share - basic	3.97	4.28	3.30	3.54	4.41	5.44	6.64	8.06	9.68	11.46	13.37	15.48	17.82
Dividends per common share	2.52	3.16	3.48	3.19	3.97	4.90	5.99	7.27	8.73	10.33	12.06	13.96	16.07

Prologis, Inc.
Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
ASSETS													
Investments in real estate properties	53,005,190	81,623,396	88,666,575	92,848,731	97,134,484	101,531,926	106,051,285	110,710,758	115,519,618	120,471,424	125,549,772	130,752,583	136,079,115
Less accumulated depreciation	7,668,187	9,036,085	10,931,485	13,767,677	16,737,643	19,844,699	23,092,417	26,484,696	30,026,018	33,721,162	37,574,701	41,590,681	45,773,084
Net investments in real estate properties	45,337,003	72,587,311	77,735,090	79,081,055	80,396,840	81,687,226	82,958,868	84,226,062	85,493,600	86,750,262	87,975,071	89,161,902	90,306,031
Investments in & advances to unconsolidated entities	8,610,958	9,698,898	9,543,970	9,869,631	10,214,831	10,580,743	10,968,610	11,379,749	11,815,557	12,277,512	12,767,186	13,286,239	13,836,436
Assets held for sale or contribution	669,688	531,257	461,657	475,968	490,723	505,936	521,620	537,790	554,462	571,650	589,371	607,641	626,478
Net investments in real estate	54,617,649	82,817,466	87,740,717	89,426,654	91,102,394	92,773,905	94,449,098	96,143,602	97,863,618	99,599,424	101,331,627	103,055,783	104,768,945
Lease right-of-use assets	459,364	735,430	683,707	695,545	707,118	718,467	729,652	740,797	751,946	762,999	773,771	784,210	794,273
Cash & cash equivalents	556,117	278,483	530,388	1,186,955	1,471,282	1,976,798	2,717,309	3,738,005	5,035,071	6,605,985	8,472,131	10,689,625	13,302,519
Accounts Receivable and other assets	2,853,090	4,066,069	4,066,028	4,629,843	5,250,413	5,972,586	6,798,915	7,764,386	8,849,526	10,028,664	11,294,900	12,682,138	14,209,793
Total assets	58,486,220	87,897,448	93,020,840	95,938,997	98,531,207	101,441,757	104,694,974	108,386,791	112,500,161	116,997,071	121,872,429	127,211,755	133,075,529
LIABILITIES AND EQUITY													
Liabilities:													
Debt	17,715,054	23,875,961	29,000,501	29,709,625	30,433,265	31,187,367	31,975,229	32,812,762	33,695,818	34,613,268	35,556,810	36,535,665	37,554,982
Accounts payable & accrued expenses	1,252,767	1,711,885	1,766,018	2,144,736	2,432,209	2,766,750	3,149,540	3,596,786	4,099,468	4,645,694	5,232,267	5,874,893	6,582,566
Other liabilities	1,776,189	4,446,509	4,430,601	5,523,512	6,263,867	7,125,437	8,111,267	9,263,097	10,557,694	11,964,434	13,475,083	15,130,091	16,952,619
Total liabilities	20,744,010	30,034,355	35,197,120	37,377,874	39,129,342	41,079,554	43,236,036	45,672,646	48,352,979	51,223,396	54,264,160	57,540,649	61,090,168
Equity:													
Series Q preferred stock	63,948	63,948	63,948	63,948	63,948	63,948	63,948	63,948	63,948	63,948	63,948	63,948	63,948
Common equity and Additional Paid-In-Capital	35,569,006	54,074,638	54,259,045	54,259,045	54,259,045	54,259,045	54,259,045	54,259,045	54,259,045	54,259,045	54,259,045	54,259,045	54,259,045
Accumulated other comprehensive income (loss)	(878,253)	(443,609)	(514,201)	(514,201)	(514,201)	(514,201)	(514,201)	(514,201)	(514,201)	(514,201)	(514,201)	(514,201)	(514,201)
Distributions in excess of net earnings	(1,327,828)	(457,695)	(627,068)	(95,231)	527,610	1,256,973	2,108,874	3,104,557	4,262,499	5,597,393	7,122,890	8,858,084	10,825,039
Total Prologis, Inc. stockholders' equity	33,426,873	53,237,282	53,181,724	53,713,561	54,336,402	55,065,765	55,917,666	56,913,349	58,071,291	59,406,185	60,931,682	62,666,876	64,633,831
Noncontrolling interests	4,315,337	4,625,811	4,641,996	4,847,563	5,065,464	5,296,439	5,541,272	5,800,795	6,075,890	6,367,491	6,676,587	7,004,230	7,351,531
Total equity	37,742,210	57,863,093	57,823,720	58,561,124	59,401,866	60,362,203	61,458,938	62,714,145	64,147,181	65,773,676	67,608,269	69,671,106	71,985,361
Total liabilities and equity	58,486,220	87,897,448	93,020,840	95,938,997	98,531,207	101,441,757	104,694,974	108,386,791	112,500,161	116,997,071	121,872,429	127,211,755	133,075,529

Prologis, Inc.
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023
Operating Activities:						
Consolidated net earnings (loss)	1,822,960	1,701,846	1,616,630	3,148,590	3,555,398	3,253,145
Straight-lined rents & amortization of above & below market leases	(66,938)	(98,426)	(126,328)	(148,239)	(267,709)	(613,005)
Equity-based compensation awards	76,093	97,557	109,831	113,028	175,356	267,648
Depreciation & amortization	947,214	1,139,879	1,561,969	1,577,942	1,812,777	2,484,891
Loss (earnings) from unconsolidated entities, net	(298,260)	(200,178)	(297,370)	(404,255)	(310,872)	(307,227)
Operating distributions from unconsolidated entities	349,877	346,517	450,622	440,034	410,483	680,192
Operating receivables from unconsolidated entities	(39,890)	11,557	14,670	(14,223)	(63,947)	(82,375)
Amortization of debt discounts (premiums) & debt issuance costs, net	12,653	17,006	7,859	8,656	23,736	74,589
Loss (gains) on dispositions of development properties & land, net	-	(467,577)	(464,942)	(817,017)	(597,745)	(462,270)
Loss (gains) on other dispositions of investments in real estate, net	-	(390,241)	(252,195)	(772,570)	(589,391)	(161,039)
Gains on real estate transactions, net	(840,996)	-	-	-	-	-
Unrealized foreign currency & derivative losses (gains), net	(120,358)	70,693	160,739	(173,026)	(92,201)	71,627
Losses (gains) on early extinguishment of debt, net	2,586	16,126	188,290	187,453	20,184	(3,275)
Deferred income tax expense (benefit)	1,448	12,221	744	1,322	12,638	17,708
Accounts receivable & other assets	(72,955)	(108,165)	(127,619)	(328,511)	(71,307)	(102,610)
Accounts payable & accrued expenses & other liabilities	30,125	115,219	94,105	176,858	109,030	255,059
Net cash flows from operating activities	1,803,559	2,264,034	2,937,005	2,996,042	4,126,430	5,373,058
Investing Activities:						
Real estate development	(1,953,144)	(1,795,137)	(1,920,218)	(2,639,872)	(3,118,379)	(3,399,114)
DCT Transaction, net of cash acquired	(45,870)	-	-	-	-	-
Real estate acquisitions	(999,131)	(1,006,043)	(1,239,034)	(2,320,448)	(2,492,108)	(4,195,714)
Duke Realty Corporation & Duke Realty Limited Partnership ("Duke") transaction, net of cash acquired	-	-	-	-	(92,052)	(33,009)
Liberty Property Trust & Liberty Property Limited Partnership ("Liberty") transaction, net of cash acquired	-	-	(29,436)	-	-	-
Industrial Property Trust Inc. ("IPT") transaction, net of cash acquired	-	-	(1,665,359)	-	-	-
Tenant improvements & lease commissions on previously leased space	(134,868)	(179,274)	(221,491)	(329,059)	(339,234)	(388,814)
Property improvements	(93,073)	(143,029)	(149,491)	(169,933)	(211,358)	(303,042)
Proceeds from dispositions & contributions of real estate	2,310,388	2,331,623	2,281,940	4,222,290	2,063,623	1,764,322
Investments in & advances to unconsolidated entities	(160,358)	(276,169)	(385,936)	(798,103)	(442,366)	(284,185)
Return of investment from unconsolidated entities	360,278	389,463	257,065	58,275	76,994	348,276
Proceeds from repayment of notes receivable backed by real estate	34,260	-	4,312	-	-	37,000
Proceeds from the settlement of net investment hedges	29,425	23,640	2,352	3,305	59,281	37,113
Payments on the settlement of net investment hedges	(11,703)	(30,424)	(9,034)	(16,513)	(3,458)	(2,230)
Net cash flows from investing activities	(663,796)	(685,350)	(3,074,330)	(1,990,058)	(4,499,057)	(6,419,397)
Financing Activities:						
Proceeds from issuance of common stock	6,891	6,082	2,217	743	-	-
Repurchase & retirement of common stock	-	-	(34,829)	-	-	-
Repurchase of preferred stock	-	-	(7,200)	-	-	-
Dividends paid on common & preferred stock	(1,123,367)	(1,345,660)	(1,722,989)	(1,872,861)	(2,494,723)	(3,228,589)
Noncontrolling interests contributions	170,066	11,604	917,092	74,404	13,295	21,107
Noncontrolling interests distributions	(224,850)	(164,419)	(361,636)	(375,054)	(270,109)	(235,050)
Settlement of noncontrolling interests	(75,920)	(109,811)	(116,978)	(153,236)	(88,980)	(69,807)
Tax paid with shares withheld	(26,508)	(22,434)	(24,887)	(19,855)	(27,688)	(24,536)
Debt & equity issuance costs paid	(17,446)	(17,656)	(54,204)	(23,318)	(45,654)	(58,660)
Net proceeds from (payments on) credit facilities	(674,559)	127,566	(10,959)	323,336	294,164	(567,076)
Repurchase of & payments on debt	(4,166,088)	(3,301,827)	(6,782,306)	(2,560,174)	(1,381,005)	(272,203)
Proceeds from the issuance of debt	4,899,680	3,976,956	7,824,517	3,597,690	4,116,489	5,755,096
Net cash flows from financing activities	(1,232,101)	(839,599)	(372,162)	(1,008,325)	115,789	1,320,282
Effect of foreign currency exchange rate changes on cash	(10,852)	5,914	18,718	(39,628)	(20,796)	(22,038)
Net increase (decrease) in cash & cash equivalents	(103,190)	744,999	(490,769)	(41,969)	(277,634)	251,905
Cash & cash equivalents, beginning of year	447,046	343,856	1,088,855	598,086	556,117	278,483
Cash & cash equivalents, end of year	343,856	1,088,855	598,086	556,117	278,483	530,388

Prologis, Inc.
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Operating Activities:										
Net Income (Loss)	3,480,508	4,295,947	5,262,977	6,386,290	7,718,818	9,231,834	10,886,257	12,670,911	14,640,820	16,825,714
Adjustments for Non-Cash Operating Expenses:										
Add: Depreciation & Amortization	2,836,192	2,969,967	3,107,056	3,247,718	3,392,279	3,541,322	3,695,144	3,853,538	4,015,980	4,182,403
Changes in Working Capital Accounts:										
Increase in AR and Other Assets	563,815	620,570	722,173	826,329	965,471	1,085,139	1,179,138	1,266,236	1,387,238	1,527,655
Increase in Lease ROU Assets	11,838	11,573	11,349	11,185	11,145	11,148	11,053	10,773	10,439	10,063
Increase in AP and Accrued Liabilities	(378,718)	(287,474)	(334,541)	(382,790)	(447,246)	(502,681)	(546,226)	(586,573)	(642,626)	(707,673)
Decrease in Other Liabilities	(1,092,911)	(740,355)	(861,570)	(985,830)	(1,151,830)	(1,294,597)	(1,406,740)	(1,510,649)	(1,655,008)	(1,822,528)
Cash Provided by Operating Activities	7,212,675	7,661,600	8,832,621	10,165,114	11,733,557	13,474,147	15,344,176	17,344,663	19,556,758	22,000,601
Investing Activities:										
Investments in Real Estate Properties	(4,182,156)	(4,285,752)	(4,397,442)	(4,519,359)	(4,659,474)	(4,808,860)	(4,951,806)	(5,078,347)	(5,202,811)	(5,326,532)
Investments In and Advances to Unconsolidated Entities	(325,661)	(345,200)	(365,912)	(387,867)	(411,139)	(435,807)	(461,956)	(489,673)	(519,054)	(550,197)
Assets Held for Sale and Notes Back by Real Estate	(14,311)	(14,755)	(15,212)	(15,684)	(16,170)	(16,671)	(17,188)	(17,721)	(18,271)	(18,837)
Cash Provided by Investing Activities	(4,522,128)	(4,645,708)	(4,778,567)	(4,922,910)	(5,086,783)	(5,261,339)	(5,430,950)	(5,585,742)	(5,740,135)	(5,895,566)
Financing Activities:										
Proceeds from Debt	709,124	723,640	754,101	787,862	837,533	883,056	917,450	943,542	978,855	1,019,318
Proceeds from Preferred Stock Issuance	-	-	-	-	-	-	-	-	-	-
Proceeds from Common Stock Issuance	-	-	-	-	-	-	-	-	-	-
Noncontrolling Interests Contributions	205,567	217,901	230,975	244,833	259,523	275,095	291,601	309,097	327,642	347,301
Payments of Dividends	(2,948,671)	(3,673,106)	(4,533,615)	(5,534,389)	(6,723,134)	(8,073,892)	(9,551,363)	(11,145,414)	(12,905,625)	(14,858,760)
Cash Provided by Financing Activities	(2,033,980)	(2,731,565)	(3,548,538)	(4,501,694)	(5,626,077)	(6,915,742)	(8,342,313)	(9,892,775)	(11,599,129)	(13,492,141)
Change in Cash	656,567	284,327	505,516	740,510	1,020,696	1,297,066	1,570,914	1,866,146	2,217,493	2,612,894
Ending Cash Balance	1,186,955	1,471,282	1,976,798	2,717,309	3,738,005	5,035,071	6,605,985	8,472,131	10,689,625	13,302,519

Prologis, Inc
Common Size Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues - rental	87.15%	82.25%	84.98%	90.07%	89.63%	88.93%	88.30%	87.67%	87.33%	87.24%	87.20%	87.34%	87.61%
Rental recoveries	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Revenues - strategic capital	12.41%	17.40%	14.96%	9.88%	10.32%	11.03%	11.67%	12.29%	12.64%	12.74%	12.78%	12.64%	12.37%
Revenues - development management & other revenues	0.43%	0.35%	0.06%	0.06%	0.05%	0.04%	0.04%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Rental expenses	21.88%	20.18%	20.25%	21.78%	21.68%	21.51%	21.35%	21.20%	21.12%	21.10%	21.09%	21.12%	21.19%
Strategic capital expenses	4.35%	5.08%	4.81%	3.03%	3.16%	3.38%	3.58%	3.77%	3.87%	3.90%	3.92%	3.87%	3.79%
General & administrative expenses	6.16%	5.54%	4.87%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
Depreciation & amortization expenses	33.15%	30.35%	30.97%	30.66%	30.66%	30.66%	30.66%	30.66%	30.66%	30.66%	30.66%	30.66%	30.66%
Other expenses	0.47%	0.68%	0.66%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%
Total expenses	66.02%	61.83%	61.56%	61.34%	61.37%	61.42%	61.46%	61.50%	61.53%	61.53%	61.54%	61.53%	61.51%
Operating income before gains on real estate transactions, net	33.98%	38.17%	38.44%	38.66%	38.66%	38.66%	38.66%	38.66%	38.66%	38.66%	38.66%	38.66%	38.66%
Gains on dispositions of development properties & land, net	17.17%	10.01%	5.76%	10.85%	10.85%	10.85%	10.85%	10.85%	10.85%	10.85%	10.85%	10.85%	10.85%
Gains on other dispositions of investments in real estate, net	16.23%	9.87%	2.01%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%
Operating income (loss)	67.38%	58.05%	46.21%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%
Earnings from unconsolidated entities, net	8.49%	5.20%	3.83%	3.82%	3.57%	3.33%	3.10%	2.88%	2.68%	2.50%	2.36%	2.22%	2.10%
Interest expense	-5.59%	-5.17%	-7.99%	-16.30%	-14.73%	-13.26%	-11.94%	-10.72%	-9.65%	-8.75%	-7.98%	-7.30%	-6.69%
Gains on real estate transactions, net	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Foreign currency & derivative gains (losses) & other income (expense), net	3.47%	4.04%	1.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gains (losses) on early extinguishment of debt, net	-3.94%	-0.34%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total other income (expenses)	2.43%	3.74%	-3.04%	-12.48%	-11.16%	-9.93%	-8.84%	-7.84%	-6.97%	-6.24%	-5.62%	-5.07%	-4.59%
Earning (loss) before income taxes	69.82%	61.78%	43.18%	43.50%	47.35%	50.99%	54.35%	57.52%	60.36%	62.81%	64.91%	66.80%	68.52%
Total income tax expense (benefit)	-3.66%	-2.27%	-2.63%	-2.65%	-2.88%	-3.11%	-3.31%	-3.50%	-3.68%	-3.83%	-3.95%	-4.07%	-4.17%
Consolidated net earnings (loss)	66.15%	59.52%	40.55%	40.85%	44.46%	47.88%	51.04%	54.02%	56.68%	58.99%	60.96%	62.73%	64.34%
Less net loss (earnings) attributable to noncontrolling interests	4.39%	3.19%	2.42%	2.41%	2.26%	2.10%	1.96%	1.82%	1.69%	1.58%	1.49%	1.40%	1.33%
Net earnings (loss) attributable to controlling interests	61.77%	56.33%	38.13%	38.44%	42.21%	45.78%	49.08%	52.20%	55.00%	57.41%	59.47%	61.33%	63.01%
Less preferred stock dividends	0.13%	0.10%	0.07%	0.07%	0.06%	0.06%	0.05%	0.04%	0.04%	0.03%	0.03%	0.03%	0.02%
Loss on preferred stock repurchase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net earnings (loss) attributable to common stockholders	61.64%	56.23%	38.06%	38.37%	42.14%	45.73%	49.04%	52.16%	54.96%	57.37%	59.44%	61.30%	62.99%

Prologis, Inc.
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
ASSETS													
Investments in real estate properties	1113.69%	1366.38%	1105.09%	1089.74%	1005.29%	923.74%	847.59%	774.81%	709.33%	652.76%	604.01%	560.23%	520.37%
Less accumulated depreciation	161.12%	151.28%	136.24%	161.59%	173.23%	180.55%	184.56%	185.35%	184.37%	182.71%	180.77%	178.20%	175.04%
Net investments in real estate properties	952.57%	1215.12%	968.85%	928.15%	832.06%	743.20%	663.03%	589.46%	524.96%	470.04%	423.24%	382.03%	345.33%
Investments in & advances to unconsolidated entities	180.92%	162.36%	118.95%	115.84%	105.72%	96.26%	87.66%	79.64%	72.55%	66.52%	61.42%	56.93%	52.91%
Assets held for sale or contribution	14.07%	8.89%	5.75%	5.59%	5.08%	4.60%	4.17%	3.76%	3.40%	3.10%	2.84%	2.60%	2.40%
Net investments in real estate	1147.56%	1386.37%	1093.55%	1049.57%	942.86%	844.06%	754.87%	672.86%	600.91%	539.67%	487.50%	441.56%	400.64%
Lease right-of-use assets	9.65%	12.31%	8.52%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%	11.24%
Cash & cash equivalents	11.68%	4.66%	6.61%	13.93%	15.23%	17.99%	21.72%	26.16%	30.92%	35.79%	40.76%	45.80%	50.87%
Other assets	59.95%	68.07%	50.68%	54.34%	54.34%	54.34%	54.34%	54.34%	54.34%	54.34%	54.34%	54.34%	54.34%
Total assets	1228.85%	1471.41%	1159.36%	1129.08%	1023.66%	927.62%	842.16%	764.60%	697.41%	641.04%	593.83%	552.94%	517.09%
LIABILITIES AND EQUITY													
Liabilities:													
Debt	372.21%	399.69%	361.45%	348.69%	314.97%	283.74%	255.56%	229.64%	206.90%	187.55%	171.06%	156.54%	143.61%
Accounts payable & accrued expenses	26.32%	28.66%	22.01%	25.17%	25.17%	25.17%	25.17%	25.17%	25.17%	25.17%	25.17%	25.17%	25.17%
Other liabilities	37.32%	74.43%	55.22%	64.83%	64.83%	64.83%	64.83%	64.83%	64.83%	64.83%	64.83%	64.83%	64.83%
Total liabilities	435.85%	502.78%	438.68%	438.69%	404.97%	373.74%	345.56%	319.64%	296.90%	277.55%	261.06%	246.54%	233.61%
Equity:													
Series Q preferred stock	1.34%	1.07%	0.80%	0.75%	0.66%	0.58%	0.51%	0.45%	0.39%	0.35%	0.31%	0.27%	0.24%
Common stock	747.34%	905.21%	676.25%	636.82%	561.55%	493.65%	433.65%	379.73%	333.17%	294.00%	261.04%	232.48%	207.49%
Accumulated other comprehensive income (loss)	-18.45%	-7.43%	-6.41%	-6.04%	-5.32%	-4.68%	-4.11%	-3.60%	-3.16%	-2.79%	-2.47%	-2.20%	-1.97%
Distributions in excess of net earnings	-27.90%	-7.66%	-7.82%	-1.12%	5.46%	11.44%	16.85%	21.73%	26.17%	30.33%	34.27%	37.95%	41.40%
Total Prologis, Inc. stockholders' equity	702.33%	891.20%	662.83%	630.42%	562.35%	500.99%	446.91%	398.31%	356.58%	321.88%	293.14%	268.51%	247.16%
Noncontrolling interests	90.67%	77.44%	57.86%	56.89%	52.42%	48.19%	44.29%	40.60%	37.31%	34.50%	32.12%	30.01%	28.11%
Total equity	793.00%	968.63%	720.68%	687.31%	614.78%	549.18%	491.20%	438.90%	393.88%	356.39%	325.26%	298.52%	275.28%
Total liabilities and equity	1228.85%	1471.41%	1159.36%	1126.01%	1019.75%	922.92%	836.75%	758.54%	690.79%	633.93%	586.32%	545.06%	508.89%

Prologis
Value Driver Estimation

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:													
Rental revenue	4,147,994	4,913,171	6,818,542	7,674,147	8,660,333	9,774,376	11,047,689	12,527,584	14,222,966	16,099,924	18,125,460	20,384,968	22,911,386
Rental recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic capital revenue	590,750	1,039,585	1,200,232	841,457	997,306	1,212,278	1,459,658	1,756,519	2,058,118	2,351,128	2,655,846	2,949,271	3,234,196
Development management & other revenues	20,696	20,936	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695	4,695
Rental expenses	(1,041,316)	(1,205,738)	(1,624,793)	(1,855,991)	(2,094,500)	(2,363,931)	(2,671,882)	(3,029,794)	(3,439,822)	(3,893,764)	(4,383,640)	(4,930,102)	(5,541,116)
Strategic capital expenses	(207,171)	(303,356)	(385,542)	(257,918)	(305,688)	(371,580)	(447,405)	(538,398)	(630,842)	(720,653)	(814,054)	(903,993)	(991,326)
General & administrative expenses	(293,167)	(331,083)	(390,406)	(443,403)	(502,835)	(571,998)	(651,136)	(743,600)	(847,524)	(960,451)	(1,081,719)	(1,214,576)	(1,360,880)
Depreciation & amortization expenses	(1,577,942)	(1,812,777)	(2,484,891)	(2,836,192)	(2,969,967)	(3,107,056)	(3,247,718)	(3,392,279)	(3,541,322)	(3,695,144)	(3,853,538)	(4,015,980)	(4,182,403)
Other expenses	(22,435)	(40,336)	(53,354)	(57,095)	(64,747)	(73,653)	(83,843)	(95,749)	(109,131)	(123,672)	(139,287)	(156,394)	(175,233)
Implied Lease Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains on dispositions of development properties & land, net	817,017	597,745	462,270	924,637	1,048,572	1,192,799	1,357,827	1,550,844	1,767,360	2,002,848	2,255,731	2,532,780	2,837,871
Gains on other dispositions of investments in real estate, net	772,570	589,391	161,039	775,422	879,357	1,000,309	1,138,705	1,300,405	1,482,148	1,679,634	1,891,708	2,124,047	2,379,904
EBITA	3,206,996	3,467,538	3,707,792	4,769,759	5,682,525	6,696,238	7,906,590	9,340,027	10,966,645	12,744,544	14,661,201	16,774,716	19,117,093
Add: Income Tax Expense	174,258	135,412	211,038	225,787	278,687	341,420	414,291	500,735	598,887	706,213	821,987	949,779	1,091,518
Add: Tax on Lease Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Add: Deferred Taxes	1,322	12,638	17,708	-	-	-	-	-	-	-	-	-	-
Add: Tax Shield on Interest Expense	13,962	11,338	39,070	84,625	86,895	88,806	91,007	93,306	95,750	98,327	101,004	103,757	106,614
Less: Earnings from Unconsolidated Entities	(21,200)	(11,406)	(18,716)	(19,839)	(21,030)	(22,291)	(23,629)	(25,047)	(26,549)	(28,142)	(29,831)	(31,621)	(33,518)
Less: Gains on Real Estate Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
Add/Less: Foreign Currency & Derivative Gains/Losses & Other Income	(8,668)	(8,865)	(5,314)	-	-	-	-	-	-	-	-	-	-
Add: Losses on Early Extinguishment of Debt	9,830	741	(200)	-	-	-	-	-	-	-	-	-	-
Total	169,504	139,858	243,587	290,574	344,352	407,935	481,669	568,994	668,088	776,398	893,160	1,021,916	1,164,613
NOPLAT:	3,037,492	3,327,680	3,464,205	4,479,185	5,308,173	6,288,304	7,424,920	8,771,033	10,298,557	11,968,147	13,768,041	15,752,801	17,952,480
Invested Capital (IC):													
Normal Cash	221,877	278,483	374,040	397,201	450,441	512,397	583,289	666,119	759,214	860,374	969,007	1,088,020	1,219,080
Net Investments in Real Estate	45,337,003	72,587,311	77,735,090	79,081,055	80,396,840	81,687,226	82,958,868	84,226,062	85,493,600	86,750,262	87,975,071	89,161,902	90,306,031
Other Assets	2,853,090	4,066,069	4,066,028	4,629,843	5,250,413	5,972,586	6,798,915	7,764,386	8,849,526	10,028,664	11,294,900	12,682,138	14,209,793
Lease ROU Assets	459,364	735,430	683,707	695,545	707,118	718,467	729,652	740,797	751,946	762,999	773,771	784,210	794,273
Operating Current Assets	48,871,334	77,667,293	82,858,865	84,803,644	86,804,812	88,890,677	91,070,724	93,397,365	95,854,285	98,402,299	101,012,748	103,716,270	106,529,176
Accounts Payable & Accrued Expenses	1,252,767	1,711,885	1,766,018	2,144,736	2,432,209	2,766,750	3,149,540	3,596,786	4,099,468	4,645,694	5,232,267	5,874,893	6,582,566
Other Liabilities	1,776,189	4,446,509	4,430,601	5,523,512	6,263,867	7,125,437	8,111,267	9,263,097	10,557,694	11,964,434	13,475,083	15,130,091	16,952,619
Non Interest-Bearing Current Liabilities	3,028,956	6,158,394	6,196,619	7,668,248	8,696,076	9,892,187	11,260,807	12,859,883	14,657,162	16,610,128	18,707,350	21,004,984	23,535,185
Total Invested Capital	45,842,378	71,508,899	76,662,246	77,135,396	78,108,736	78,998,490	79,809,917	80,537,481	81,197,124	81,792,171	82,305,399	82,711,286	82,993,990
Free Cash Flow (FCF):													
NOPLAT	3,037,492	3,327,680	3,464,205	4,479,185	5,308,173	6,288,304	7,424,920	8,771,033	10,298,557	11,968,147	13,768,041	15,752,801	17,952,480
Change in IC	1,245,648	25,666,521	5,153,347	473,150	973,339	889,754	811,427	727,564	659,642	595,047	513,227	405,887	282,705
FCF	1,791,844	(22,338,842)	(1,689,142)	4,006,035	4,334,834	5,398,549	6,613,493	8,043,469	9,638,915	11,373,100	13,254,813	15,346,914	17,669,775
Return on Invested Capital (ROIC):													
NOPLAT	3,037,492	3,327,680	3,464,205	4,479,185	5,308,173	6,288,304	7,424,920	8,771,033	10,298,557	11,968,147	13,768,041	15,752,801	17,952,480
Beginning IC	44,596,730	45,842,378	71,508,899	76,662,246	77,135,396	78,108,736	78,998,490	79,809,917	80,537,481	81,197,124	81,792,171	82,305,399	82,711,286
ROIC	6.81%	7.26%	4.84%	5.84%	6.88%	8.05%	9.40%	10.99%	12.79%	14.74%	16.83%	19.14%	21.70%
Economic Profit (EP):													
Beginning IC	44,596,730	45,842,378	71,508,899	76,662,246	77,135,396	78,108,736	78,998,490	79,809,917	80,537,481	81,197,124	81,792,171	82,305,399	82,711,286
x (ROIC - WACC)	-2.54%	-2.09%	-4.51%	-3.51%	-2.47%	-1.30%	0.05%	1.64%	3.44%	5.39%	7.48%	9.79%	12.35%

Prologis

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.26%
Beta	1.26
Equity Risk Premium	5.00%
Cost of Equity	10.56%

ASSUMPTIONS:

U.S. 10 Year Treasury Bond
5 year weekly average Bloomberg
Henry Fund Estimate

Cost of Debt:

Risk-Free Rate	4.26%
Implied Default Premium	0.53%
Pre-Tax Cost of Debt	4.79%
Marginal Tax Rate	6%
After-Tax Cost of Debt	4.50%

U.S. 10 Year Treasury Bond
YTM on Prologis 10 Year Corporate Bond

Cost of Preferred Stock:

Annual Pfd. Dividend	\$4.27
Price of Pfd. Shares	\$50.00
Cost of Preferred:	8.54%

Market Value of Common Equity:

Total Shares Outstanding	923,072
Current Stock Price	\$129.02
MV of Equity	\$119,094,755

MV Weights

80.01%

Market Value of Debt:

Short-Term Debt	\$29,000,501
PV of Operating Leases	\$683,707
MV of Total Debt	\$29,684,208

19.94%

Market Value of Preferred Stock:

Total Shares Outstanding	1278.96
Price of Pfd. Shares	\$50
MV of Preferred	\$63,948

0.04%

Market Value of the Firm

\$148,842,911

100.00%

Estimated WACC

9.35%

Prologis

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	3.00%
CV Year ROIC	21.70%
WACC	9.35%
Cost of Equity	10.56%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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DCF Model:

Free Cash Flow (FCF)	4,006,035	4,334,834	5,398,549	6,613,493	8,043,469	9,638,915	11,373,100	13,254,813	15,346,914	17,669,775
Continuing Value (CV)										243,598,370
PV of FCF	3,663,461	3,625,152	4,128,647	4,625,285	5,144,319	5,637,539	6,082,991	6,483,191	6,864,567	108,959,845

Value of Operating Assets:	155,214,997
Non-Operating Adjustments	
Excess Cash	156,348
Assets Held for Sale	461,657
Less: Operating Lease ROU	(683,707)
Less: Total Debt	(29,000,501)
Less: Other noncurrent liabilities	(4,430,601)
Less: Preferred Stock	(63,948)
Less: Non-controlling interest	(4,641,996)
Value of Equity	117,012,249
Shares Outstanding	924,351
Intrinsic Value of Last FYE	126.59
Implied Price as of Today	\$ 128.52

EP Model:

Economic Profit (EP)	(2,689,568)	(1,904,824)	(1,015,711)	37,704	1,307,939	2,767,428	4,375,334	6,119,584	8,056,352	10,218,077
Continuing Value (CV)										160,887,085
PV of EP	(2,459,571)	(1,592,974)	(776,785)	26,369	836,512	1,618,593	2,340,181	2,993,210	3,603,550	71,963,667

Total PV of EP	78,552,751
Invested Capital (last FYE)	76,662,246
Value of Operating Assets:	155,214,997
Non-Operating Adjustments	
Excess Cash	156,348
Assets Held for Sale	461,657
Less: Operating Lease ROU	(683,707)
Less: Total Debt	(29,000,501)
Less: Other noncurrent liabilities	(4,430,601)
Less: Preferred Stock	(63,948)
Less: Non-controlling interest	(4,641,996)
Value of Equity	117,012,249
Shares Outstanding	924,351
Intrinsic Value of Last FYE	126.59
Implied Price as of Today	\$ 128.52

Prologis

Relative Valuation Models

Ticker	Company	Price	EPS		P/E		DPS		DY		FFO		P/FFO	
			2024E	2025E	24	25	2024E	2025E	24	25	2024E	2025E	24	25
REXR	Rexford Industrial Realty	\$51.02	\$1.13	\$1.36	45.15	37.51	1.7	1.8	3.25%	3.47%	2.38	2.68	21.44	19.04
EGP	EastGroup Properties	\$178.87	\$4.41	\$4.99	40.56	35.85	5.2	5.4	2.89%	3.00%	8.32	9.11	21.50	19.63
FR	First Industrial	\$53.38	\$1.43	\$1.69	37.33	31.59	1.4	1.6	2.70%	2.90%	2.62	2.92	20.37	18.28
TRNO	Terrano Realty Corp.	\$62.58	\$1.81	\$2.50	34.57	25.03	1.7	1.8	2.70%	2.94%	2.22	2.41	28.19	25.97
Average					39.40	32.49			2.89%	3.08%			22.87	20.73
PLD	Prologis	\$129.02	3.54	4.41	36.48	29.29	3.2	4.0	2.47%	3.08%	5.49	6.23	23.50	20.71

Implied Relative Value:

P/E (EPS24)	\$ 139.35	
P/E (EPS25)	\$ 143.15	
P/FFO (FFO24)	\$ 125.58	\$ 127.36
P/FFO (FFO25)	\$ 129.15	

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Present Value of Operating Lease Obligations

Fiscal Years Ending Dec. 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Year 1								1,602,708	2,006,475		
Year 2								1,440,452	1,867,253		
Year 3								1,255,182	1,589,102		
Year 4								1,015,212	1,278,281		
Year 5								770,119	990,970		
Thereafter								2,312,372	3,293,320		
Total Minimum Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8396045.0	11025401.0	0.0	0.0
Less: Cumulative Interest	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	1344938.1	1827031.5	#DIV/0!	#DIV/0!
PV of Minimum Payments	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	7051106.9	9198369.5	#DIV/0!	#DIV/0!
Implied Interest in Year 1 Payment		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	337748.0	440601.9	#DIV/0!
Pre-Tax Cost of Debt	4.79%	4.79%	4.79%	4.79%	4.79%	4.79%	4.79%	4.79%	4.79%	4.79%	4.79%
Years Implied by Year 6 Payment	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	3.0	3.3	#DIV/0!	#DIV/0!
Expected Obligation in Year 6 & Beyond	0	0	0	0	0	0	0	770119	990970	0	0
Present Value of Lease Payments											
PV of Year 1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1529447.5	1914758.1	0.0	0.0
PV of Year 2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1311774.3	1700448.5	0.0	0.0
PV of Year 3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1090805.2	1380995.5	0.0	0.0
PV of Year 4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	841932.7	1060100.3	0.0	0.0
PV of Year 5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	609478.8	784262.2	0.0	0.0
PV of 6 & beyond	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	1667668.4	2357804.9	#DIV/0!	#DIV/0!
Capitalized PV of Payments	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	7051106.9	9198369.5	#DIV/0!	#DIV/0!

Prologis*Valuation of Options Granted under ESOP*

Current Stock Price	\$129.02
Risk Free Rate	4.26%
Current Dividend Yield	2.90%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	10,000	5.00	2.24	\$ 116.36	\$ 1,163,603
Range 2	20,000	9.00	5.40	\$ 103.18	\$ 2,063,572
Range 3	30,000	10.00	4.35	\$ 105.43	\$ 3,162,780
Range 4	20,000	12.00	6.40	\$ 98.10	\$ 1,961,969
Range 5	20,000	15.00	8.24	\$ 91.34	\$ 1,826,791
Range 6				\$	-
Range 7				\$	-
Range 8				\$	-
Range 9				\$	-
Total	100,000	\$ 10.70	5.54	\$ 120.58	\$ 10,178,716