



Prologis is Building for the Future

Our objective has always been to be closest to the consumption side of the logistics supply chain.

In 2018, we completed Prologis Georgetown Crossroads in Seattle—the first multistory logistics facility in the United States and an excellent example of our commitment to customer-centric innovation. We also completed a conversion of an existing multistory building in the Bronx. Forward-looking projects like these demonstrate our commitment to doing everything we can for our customers—even in constrained urban locations.



Prologis Labs team, Alan Findley, Tim Manochehri II, Gary Bruns and Greg Everson, San Leandro, California (not pictured, Robert Heekelaar)

Customer-Centric Innovation and Technology

Our scale enables us to invest in technology as we continue to seek solutions to help our customers run their businesses as efficiently as possible. Prologis Labs is a dedicated space for testing new products and services designed to ease our customers’ pain points. This recent investment in customer-centric innovation allows us to cycle quickly through ideas, invest in the winners and then scale those solutions across our global portfolio.

Prologis Labs is currently focusing on:

- Digital supply chain/digital warehouse
- Attributes of the next-generation distribution center
- Transportation
- Urban fulfillment



Solar installation at Prologis International Park of Commerce, Tracy, California

Sustainability is in Our DNA

Environmental stewardship, social responsibility and governance have been key tenets of Prologis’ business practices for decades. In 2018, we launched the Prologis Community Workforce Initiative (CWI), an extension of our commitment to deliver superior customer service while strengthening local communities. Through CWI, Prologis collaborates with local workforce programs to provide mentorship, skills training, internships and job placement services for people interested in pursuing careers in logistics, distribution and transportation—sectors currently experiencing a significant labor shortage. In addition to serving our customers, the initiative is structured to enhance local economies and help create career opportunities in the communities where we do business.

2018 was a year of ESG firsts at Prologis. In addition to CWI, we were the first logistics real estate company in the world to:

- Achieve WELL Certification, per the International Well Building Institute
- Receive an approved Science-Based Target (SBT) for greenhouse gas (GHG) emission reduction
- Receive the Gold Green Lease Leader Award
- Issue green bonds globally



Prologis team members Efrén Bobadilla, Sandra Solís, Karina Xibillé at Prologis Park Grande, Mexico City, Mexico.

A Culture for Continued Success

Our global teams come to work every day with the mindset of: How can we contribute to our customers' success? Creating value for those we serve is integrated into everything we do, big and small.

As an organization, we push boundaries and explore new horizons to stay ahead of what's next. We embrace change. Together, we ask "why" and trust that discomfort and setbacks are part of success.

We listen, question, then commit to each other. Together as one team, we actively seek and leverage different perspectives, challenge our own best ideas and commit to a common goal. We simplify and sprint, and trust that speed and agility will drive results. We do not let perfection get in the way of progress.



Chairman and Chief Executive Officer, Hamid R. Moghadam

Dear Fellow Shareholders,

2018 was Prologis' strongest year ever. As I reflect back, I am truly proud of what our teams have achieved. In addition to executing successfully against our strategic plan, we have built a very strong foundation able to support cutting-edge innovation that will serve our customers even better in the future.

We made significant strides in 2018, paving the way for new opportunities. We disposed of our remaining non-strategic assets, acquired DCT Industrial Trust Inc., pushed our ESG initiatives into broader territory, and reconfigured our plan for the future through innovation and technology.

Our 2018 results reveal the strength of our foundation:

- Core FFO per diluted share was \$3.03 for the year compared with \$2.81 for 2017.
- Our dividend increased 9 percent to \$1.92 per common share.
- Our balance sheet is one of the best in the business, with more than \$4 billion of liquidity.

Our financial performance is industry-leading. Prologis exceeded our benchmarks for the past three years, delivering annualized total shareholder return of 14.6 percent. We also outperformed both the RMS and RMP REIT indices by more than 1,160 basis points over the same three-year period.

It was an active year for capital deployment. Development stabilizations

were about \$2.4 billion with an estimated margin of more than 35 percent and value creation of more than \$650 million.

We started \$3.1 billion of new development in 2018 to add approximately 36.0 million square feet to our portfolio, and nearly 40 percent of our development business was customer-led build-to-suits—specifically, 29 starts totaling 11.6 million square feet. We continue to do business with the world's leading brands. Eighty percent of those build-to-suit starts were signed with our multi-site customers, and more than 95 percent are in global markets.

“ Prologis made significant strides in 2018, paving the way for new opportunities. ”

Strategic Capital had a great year, with investor appetite robust for well-located logistics real estate. We raised \$2.2 billion in new capital and grew our third-party AUM to more than \$35 billion. Strategic Capital continues to deliver consistent revenue, with more than 90 percent coming from perpetual or very long-life vehicles. In January 2019, we announced the formal completion of Prologis Brazil Logistics Joint Venture with Ivanhoé Cambridge.

In August, we completed an \$8.5 billion all-stock acquisition of DCT Industrial Trust Inc., a highly respected peer whose portfolio was a

perfect complement to our own—further, we completed the integration and achieved our expected \$80 million in annual synergies on day one. I am thrilled that former DCT CEO Philip L. Hawkins has joined our board of directors. His real estate experience and business acumen make him an excellent addition.

Property fundamentals are as strong as I’ve ever seen, with vacancy at historic lows, utilization at historic highs, limited new supply, and e-commerce providing a secular tailwind to the logistics sector. Even with the unpredictability in the markets, we ended 2018 with global occupancy holding steady at 97.5 percent.

Looking Ahead

We had a phenomenal year, yet we are not immune to the geopolitical forces that affect the global economy. We have taken steps to account for any increased risk—for example, raising the bar for speculative development starts. We continue to monitor our proprietary, forward-looking indicators and are in close contact with our customers to assess even subtle changes in sentiment or psychology.

As I mentioned above, our balance sheet is in excellent shape. Our credit metrics are strong and we continue to access capital globally at very attractive terms.

“ Our main focus is on the ever-changing needs of our customers.

More than 75 percent of our debt is denominated in foreign currencies, which insulates us from the impact which

can otherwise arise from a mismatch in the currencies of assets and liabilities. We have liquidity of over \$4 billion and in addition, we have more than \$6.5 billion of additional investment capacity from potential fund rebalancings. This means we can self-fund our deployment run rate for the foreseeable future, continuing our capital recycling program which has been our practice for several years.

We are confident in our ability to outperform in any future environments, thanks to our embedded rent upside, development-ready land bank and significant liquidity. In short, we have already done the work to prepare for all aspects of the market cycle. Although we entered 2019 with a slightly tempered business plan to account for higher potential risks in the macroeconomic environment, we’ve yet to see any signs of weakness in the business.

AHEAD OF WHAT’S NEXT

Our new tagline, Ahead of What’s Next™, is our daily reminder to keep striving for ways to best serve our customers, investors and the communities in which we operate.

Our main focus is on the ever-changing needs of our customers. We

are able to use our global scale to harness the power of our data to address customers’ pain points and continue our commitment to being an integral partner as they grow and succeed. The Prologis Five Drivers of Competitive Advantage, which I discussed in last year’s letter, is the navigational system by which we will bring more products and services to our customers as we leverage our scale, invest in technology, and compile and analyze data to help our customers run their businesses more efficiently. This work will also help inform our own decision-making. There is a lot of work to do here, but we have already made strides. Here are some highlights:

Technology Built for Innovation

I am pleased to announce a new position at Prologis: chief technology officer. Technology innovator Sineesh Keshav joined us last spring. His experience in designing and delivering cost-effective technology solutions through data that support rapid business growth will bring direct and tangible benefits for our customers.

Prologis Labs, our new innovation incubator, is a great example of how we plan to lead. Located in the San Francisco Bay Area, the 13,000 square foot lab has been outfitted with working racks and loading bays and features physical and digital labs for testing technologies and product ideas in collaboration with our customers. Currently, the lab focuses on components of the logistics business: digital supply chain/digital warehouse, attributes of the next-generation distribution center, transportation and urban fulfillment. As of this writing, 63 experiments were in the Prologis Labs pipeline. I am eager to see what we learn from this work and how we can pass our findings along to our customers.

“ Prologis Labs, our new innovation incubator, is a great example of how we plan to lead.

On the data and analytics side, our in-house research department keeps us aware and ahead of changing market dynamics through a comprehensive repository of proprietary information. This forms a baseline for everything from customer sentiment and supply chain modernization to global rent growth trends and region-specific economic and political events that could touch our business.

Environmental, Social and Governance (ESG) Success

ESG is good for the planet and good for business. We are humbled by the dozens of awards and achievements we received in 2018. Our full sustainability report will be published in May and we will go into much more detail then. For now, I would like to share that we are the first

logistics real estate company in the world to:

- Achieve WELL Certification, per the International Well Building Institute
- Receive an approved Science-Based Target (SBT) for greenhouse gas (GHG) emission reduction
- Create a program with local workforce training programs (the Prologis Community Workforce Initiative, or CWI) to address customers' growing needs for skilled logistics labor
- Receive the Gold Green Lease Leader Award
- Issue green bonds globally

I'm grateful to our teams whose hard work culminated in Prologis being ranked the top U.S. company in any sector and sixth overall on the 2019 Global 100 Most Sustainable Corporations in the World list. This marks the tenth time that Prologis, the only real estate investment trust on the 2019 list, has been included in the prestigious global ranking, which is announced yearly at the World Economic Forum in Davos.

2019 and Beyond


Our plan is clear: Remain prudent in how we run our business, stay vigilant for shifts in markets and customer sentiment, and ensure that our teams are well-prepared and able to execute with their trademark dedication, tenacity, agility and laser-focused approach to our customers' success.

I want to thank our board of directors for their time and insights. Their knowledge and wide range of expertise is invaluable as we charge ahead into new territories.

Additionally, I want to express my thanks to my colleagues who are walking this walk of making us an even better company. Not only do our people strive to make sure Prologis is the best in our industry, they hold themselves to the standard of being a truly world-class global organization, and I see that in their performance every day.

Thank you for your continued trust in Prologis.

Sincerely,



Hamid R. Moghadam
Chairman and CEO



Senior Leaders

Thomas S. Olinger

Chief Financial Officer
[Click to read bio](#)

Hamid R. Moghadam

Chairman of the Board of Directors and Chief Executive Officer
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Eugene F. Reilly

Chief Investment Officer
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Gary E. Anderson

Chief Operating Officer
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Edward S. Nekritz

Chief Legal Officer and General Counsel
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Colleen McKeown

Chief Human Resources Officer
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Michael S. Curless

Chief Customer Officer
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Board of Directors

Hamid R. Moghadam

Chairman of the Board of Directors and Chief Executive Officer
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Cristina G. Bitá

Vice President of Finance, Google
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George L. Fotiades

Partner and Chairman, Healthcare Investments, Diamond Castle Holdings
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Philip L. Hawkins

Former Chief Executive Officer, DCT Industrial Trust Inc.
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Lydia H. Kennard

Principal, Airport Property Ventures, LLC; Founder and Chief Executive Officer, KDG Construction Consulting
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J. Michael Losh

Former CFO, General Motors; Former Chairman, GMAC
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Irving F. Lyons III

Principal, Lyons Asset Management
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David P. O'Connor

Managing Partner, High Rise Capital Partners, LLC
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Oliver Piani

Chief Executive Officer and Founder of OP Conseils; Senior Consultant, Ardian
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Jeffrey L. Skelton

Former Managing Partner, Resultant Capital Partners
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Carl B. Webb

Senior Partner, Ford Management, LP
[Click to read bio](#)

William D. Zollars

Former Chairman, President and Chief Executive Officer, YRC Worldwide Inc.
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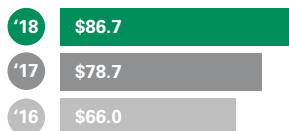
Prologis Park 1-17, Phoenix, Arizona

Financial Highlights

Our industry-leading financial and operating results in 2018 reflect our best year yet and even greater core strength in our business. Core FFO per diluted share was \$3.03 for the year compared with \$2.81 in 2017. Vacancy is at historic lows—we ended 2018 with global occupancy at 97.5 percent. Utilization is at historic highs, new supply is limited and e-commerce continues to act as a secular tailwind. Our best-in-the-business balance sheet provides notable advantages: strong credit metrics and access to capital at attractive terms. Even though we have a strong record of self-funding our growth, we have preserved more than \$4 billion in liquidity, and our consistently prudent approach keeps us well-positioned to navigate a spectrum of economic scenarios.

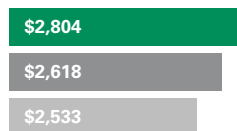
ASSETS UNDER MANAGEMENT

(in billions)



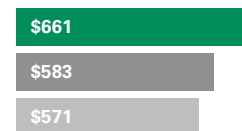
REVENUE SUMMARY

(in millions)



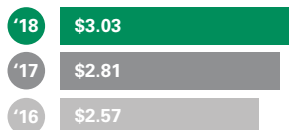
VALUE CREATION¹

(in millions)

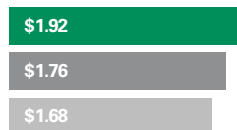


CORE FFO

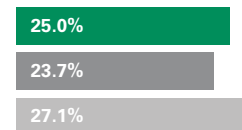
(per diluted share)



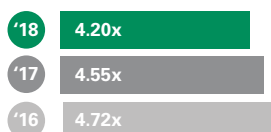
DIVIDENDS PER COMMON SHARE



DEBT TO GROSS MARKET CAPITALIZATION



DEBT-TO-EBITDA



Please see Prologis' Annual Report on Form 10-K for the year ended December 31, 2018, and our Q4'18 earnings supplemental for additional detail regarding the financial information presented in this annual report and definitions and reconciliations of non-GAAP measurements, such as Core FFO, GAAP same store NOI and adjusted EBITDA. Regarding securities ratings presented, such ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the rating organizations.

1. Prologis' share of estimated value creation from development stabilizations