



OCTOBER 9, 2015

A High-Level Look at Supply and Demand in Logistics and Industrial Real Estate



PROLOGIS.

JEREMY GILES President, Central Region

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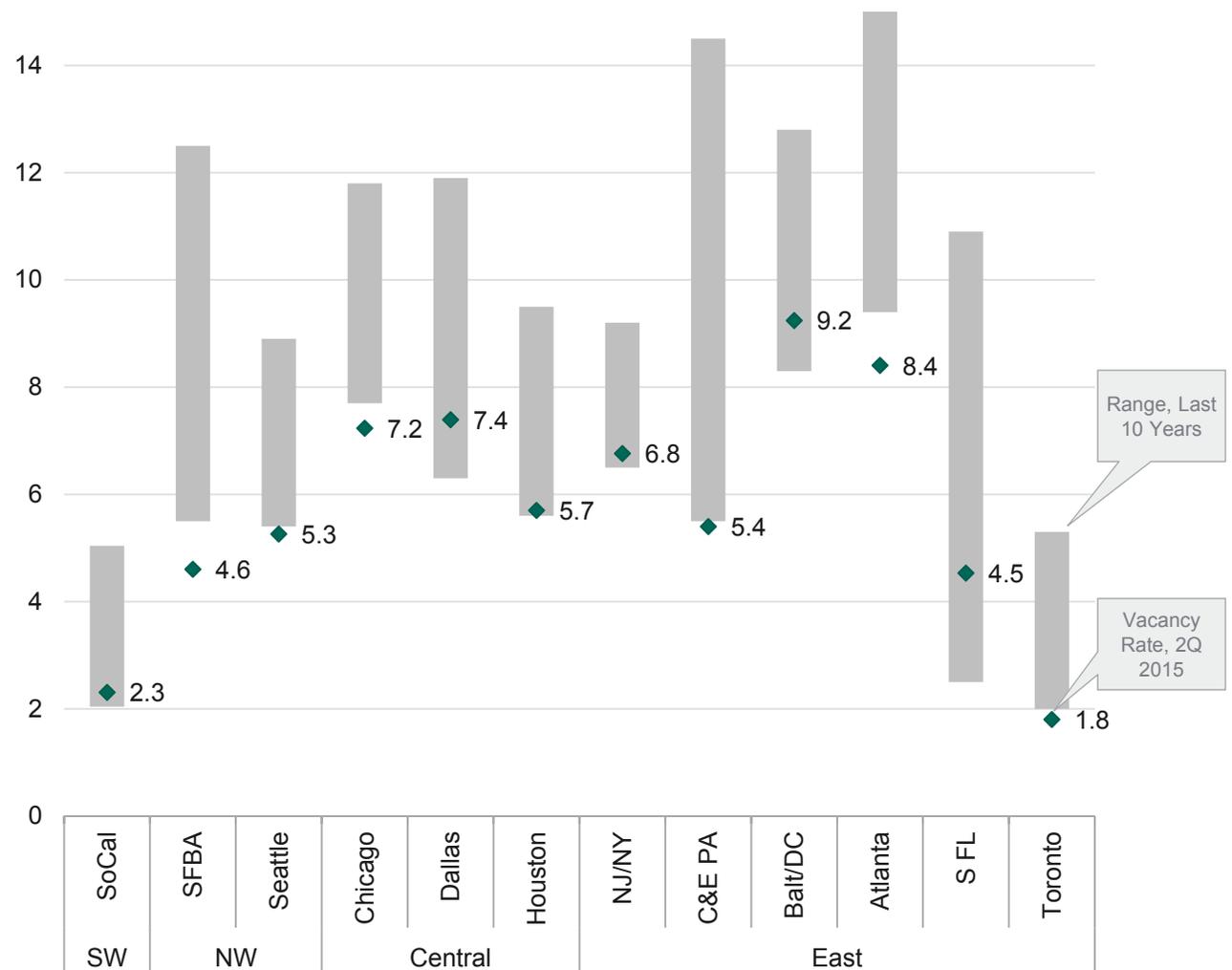
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Major Markets with Record-Low Vacancies

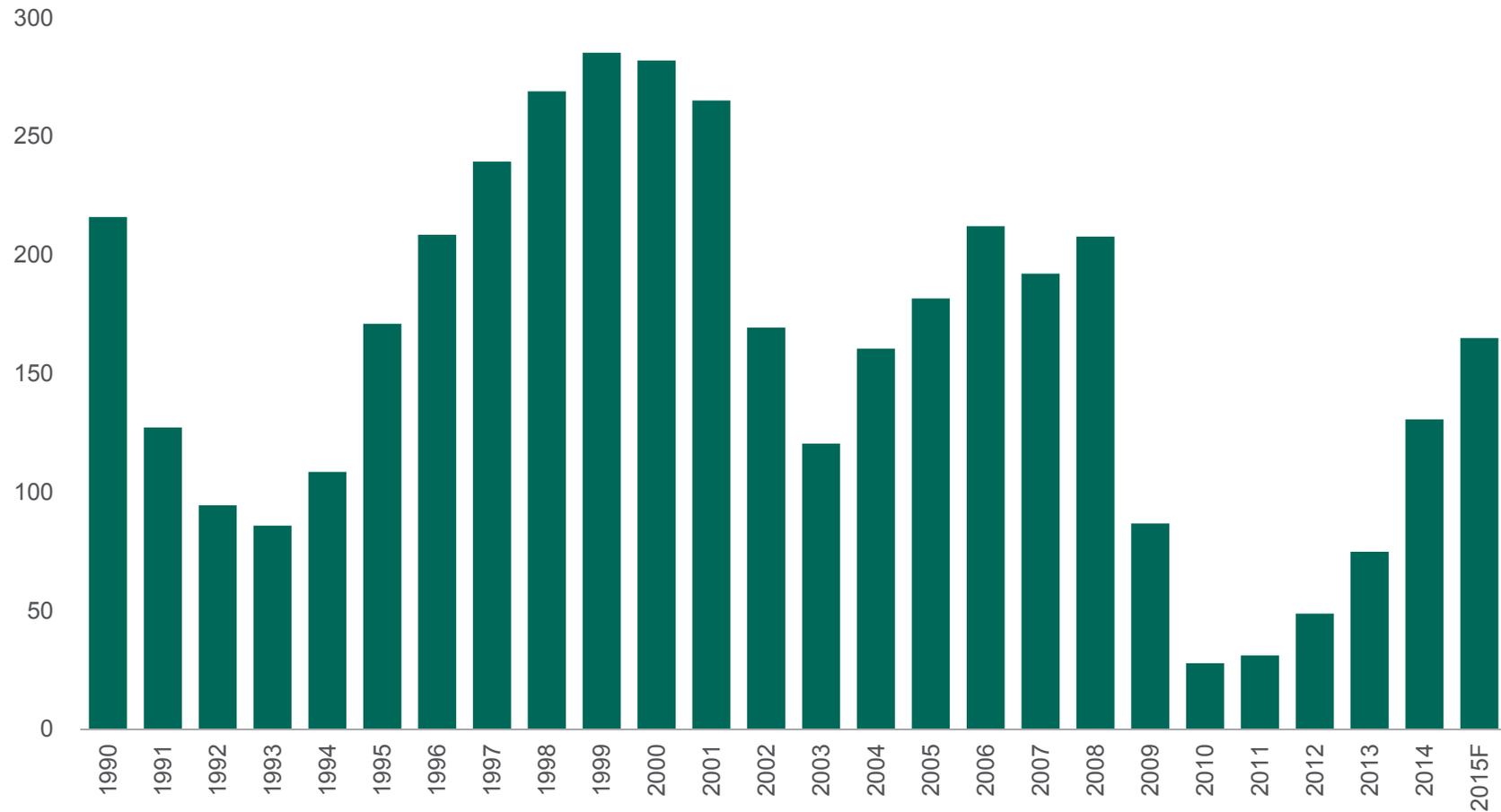
- Many markets are at record-low vacancies; in markets such as Atlanta and SoCal, further job growth potential will likely drive down vacancy even more



Sustained Position of Strength

Logistics Market Completions

(sf, millions)



Note: Forecast come from Prologis Research and is based upon stable economic growth and an expansion in development activity
Source: CBRE-EA (historical), Prologis Research (forecast)

United States: Development Business Evolving

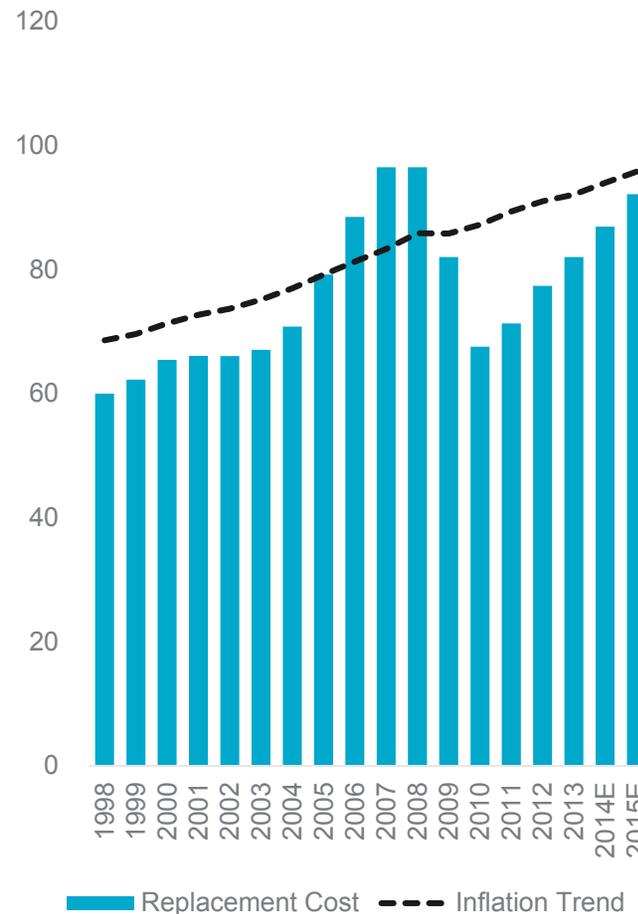
Recovery of supply limited by

- Depressed rents
- Constrained financing
- Institutionalization of development
- Increased size and complexity
- Entitlements and zoning

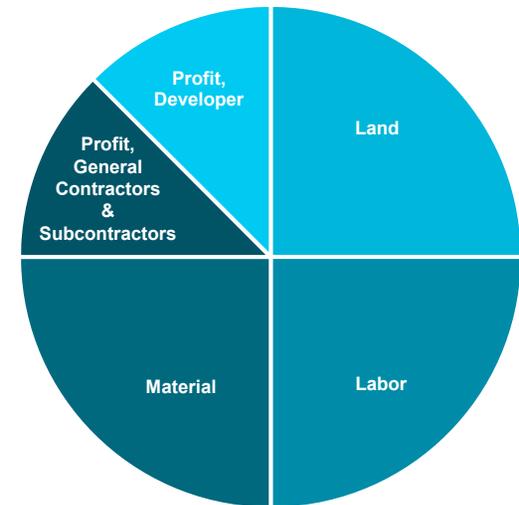
Rising replacement cost

- Land prices spiking
- Labor trends with inflation
- Pricing power for subs & GCs

Replacement Cost, U.S.
(\$ per square foot, inclusive of developer profit)

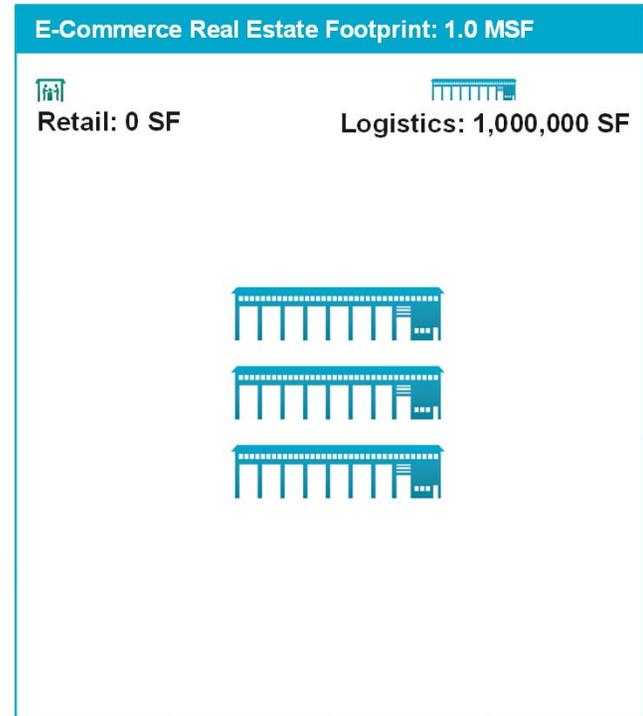
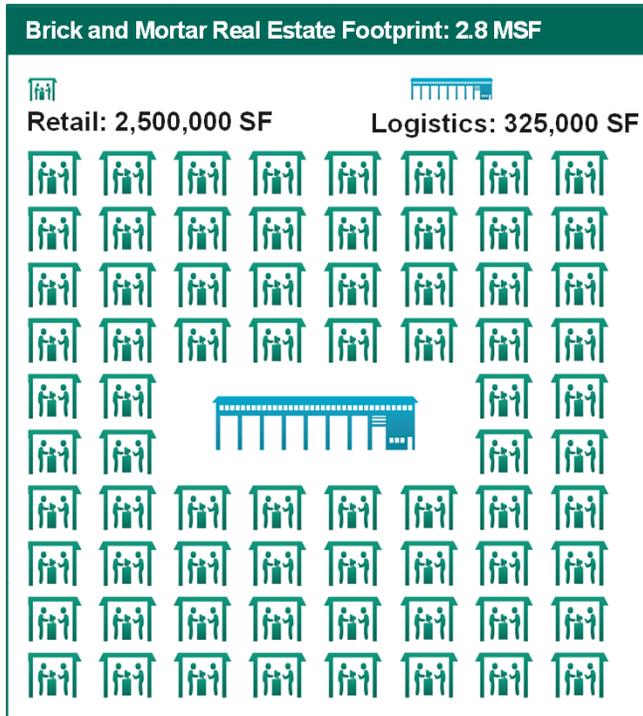


Composition of Replacement Cost
(% of total cost, estimate in U.S.)



E-Commerce: Significant Driver of Demand

How Much Real Estate Does a \$1B Retailer Need?

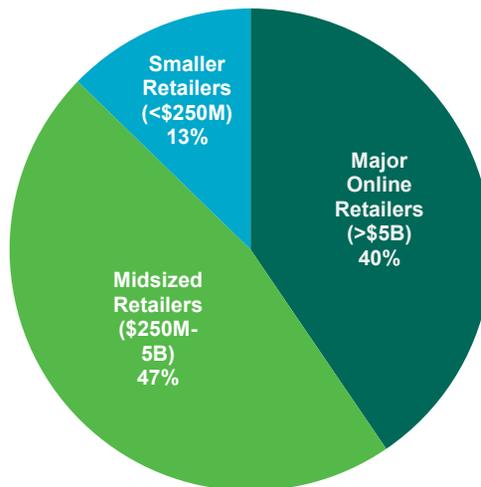


Source: Prologis Research

E-Commerce Continues to Grow

- Considerable growth continues
 - High diversity of requirements
- Broad diversity of strategies
- Localization, where e-fulfillment concentrates within or adjacent to major population centers, is growing as users
 - Increase service levels
 - Scale their platforms
 - Evaluate high transportation costs

Distribution of Online Sales by Retailer Size
(market share by annual revenue)



Count of Major Online Retailers
(retailers with >\$5B of online sales)

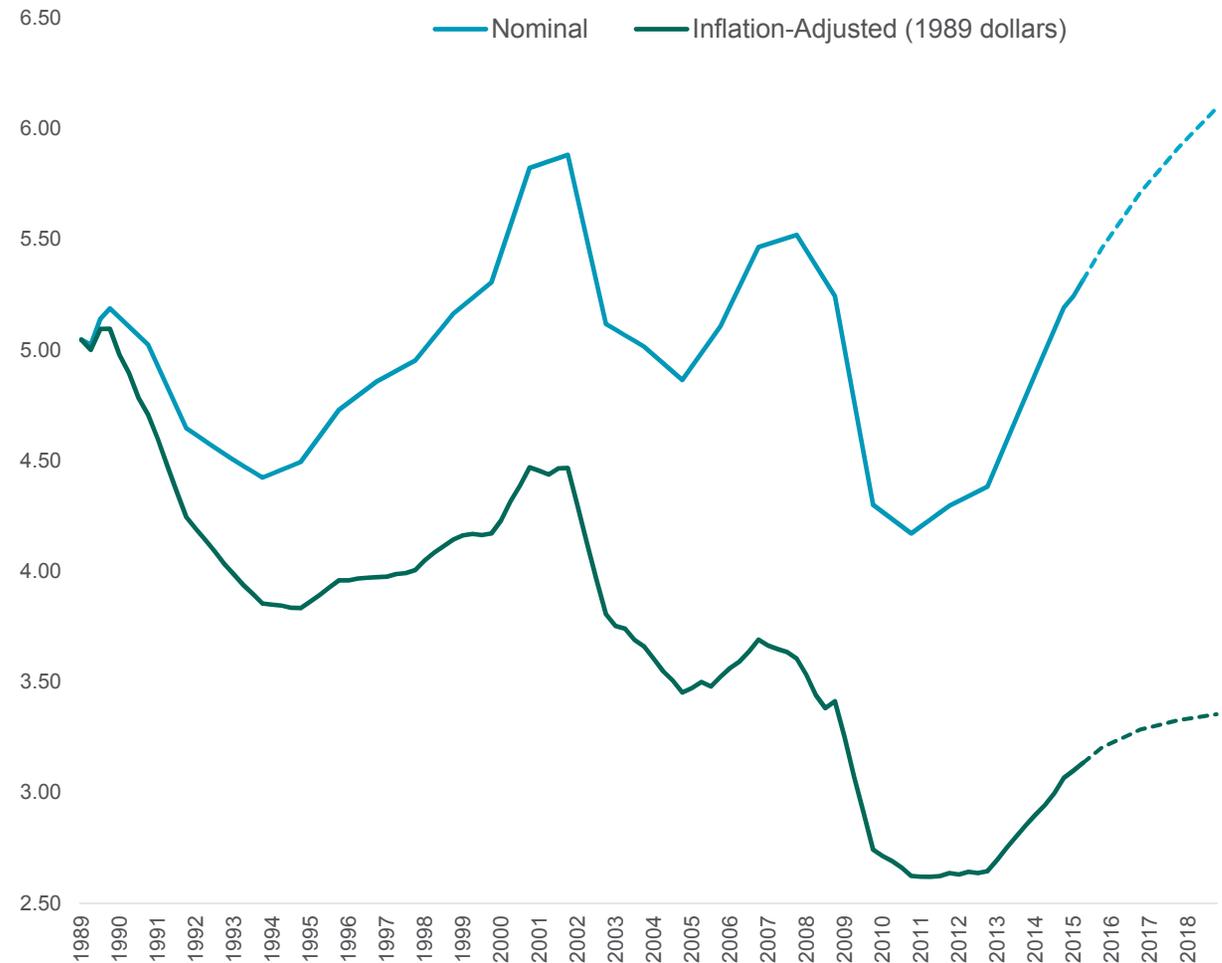


A New Stage in Rental Rate Dynamics

- Nominal asking rents have been within a 25% range for two decades
- Over the long-term, rents have not kept pace with inflation
- Recent spikes reflect a recovery from the recession as in past cycles
- The recent pronounced spikes from trough rates are normalizing toward the pace of inflation

Asking Rents, U.S.

(\$/sf/year)





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