



Prologis (PLD)

Updated April 17th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$103	5 Year Annual Expected Total Return:	11.4%	Market Cap:	\$94.6 B
Fair Value Price:	\$103	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	06/17/2025 ¹
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.0%	Dividend Payment Date:	06/27/2025
Dividend Yield:	3.9%	5 Year Price Target	\$152	Years Of Dividend Growth:	11
Dividend Risk Score:	C	Sector:	Real Estate	Rating:	Hold

Overview & Current Events

Prologis is the largest industrial U.S. REIT by far, owning about 1.3 billion square feet of real estate in 20 countries. For context, the second-largest U.S. industrial REIT in the sector is Public Storage (PSA), with a market cap of around \$50.9 billion, less than half that of Prologis. The company has a diversified rental collection base, comprising of more than 6,700 individual tenants. Prologis was founded in 1983 and is based in San Francisco, California.

On February 21st, 2025, Prologis raised its dividend by 5.2% to a quarterly rate of \$1.01.

On April 16th, 2025, Prologis posted its Q1 results for the period ending March 31st, 2025. For the period, rental revenues grew by 9.4% to just under \$2.0 billion. Strategic capital revenues rose to \$141 million. Total revenues increased by 9.4% year-over-year to \$2.14 billion. Core FFO/share rose by 10.9% to \$1.42, driven by robust operational performance and value creation from development stabilizations. However, interest expenses climbed by 20% to \$231.8 million, reflecting a slightly higher average interest rate and additional borrowings used to fund the company's active development and acquisition activity.

Still, Prologis' debt as a percentage of its gross market cap remained healthy at 25.7%. Its weighted average borrowing rate remained steady at 3.2%. Finally, Prologis' weighted average remaining lease term stood at 3.9 years.

The company kicked off 2025 with solid execution, highlighted by 65.1 million square feet of lease commencements and \$240 million in value creation from development stabilizations. They also noted cautious customer behavior due to macro worries, but emphasized the long-term strength in fundamentals like limited new supply and rising construction costs. Thus, management reaffirmed their previously introduced guidance for FY2025. They continue to see FFO/share between \$5.65 and \$5.81. We have utilized the midpoint in our estimates, which implies a year-over-year growth of 3%.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/Share	\$2.23	\$2.57	\$2.81	\$3.03	\$3.31	\$3.80	\$4.15	\$5.16	\$5.61	\$5.56	\$5.73	\$8.42
DPS	\$1.52	\$1.68	\$1.76	\$1.92	\$2.12	\$2.32	\$2.52	\$3.16	\$3.48	\$3.84	\$4.04	\$5.94
Shares²	521	526	530	567	631	754	764	811	952	954	956	1200

Over the past five years, FFO/share CAGR was 8.6%, while DPS CAGR was 10.6% over the same period. Prologis has been achieving growth through its strategic acquisition and development of prime logistics properties on a global scale. The COVID-19 pandemic resulted in surging demand for the company's properties, surpassing previous peak market cycles. Prologis expects that robust demand for its properties will persist in the foreseeable future, although we should see relatively short absorption following some lease expiries throughout the rest of the year.

In any case, we anticipate that Prologis can support FFO/share growth of 8% through 2030. The company's growth in its asset base is expected to slow as it won't be making as many property acquisitions. However, with a weighted average debt maturity term of 9.1 years and no significant debt maturities until 2026, Prologis shouldn't face significant issues.

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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We also expect equally strong DPS growth over the medium-term, but lower than the most recent hike to be prudent against the ongoing macroeconomic headwinds.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/FFO	21.2	17.5	20.8	18.9	28.1	26.3	31.3	25.2	20.8	21.4	18.0	18.0
Avg. Yld.	2.8%	3.0%	2.0%	2.0%	1.8%	1.8%	1.8%	2.4%	3.0%	3.2%	3.9%	3.9%

Over the past decade, shares of Prologis have traded between 20 and 30 times their underlying funds from operations. The stock's valuation has somewhat normalized from the 2019 to 2021 levels. At 18.0 this year's expected FFO/share, we now find Prologis to be fairly valued. We believe this below-average multiple is fair given that interest rates remain elevated. Investors should demand a higher risk premium in the current environment. Note that the stock's dividend yield is well above its historical average levels following the recent multiple contraction.

Safety, Quality, Competitive Advantage, & Recession Resiliency

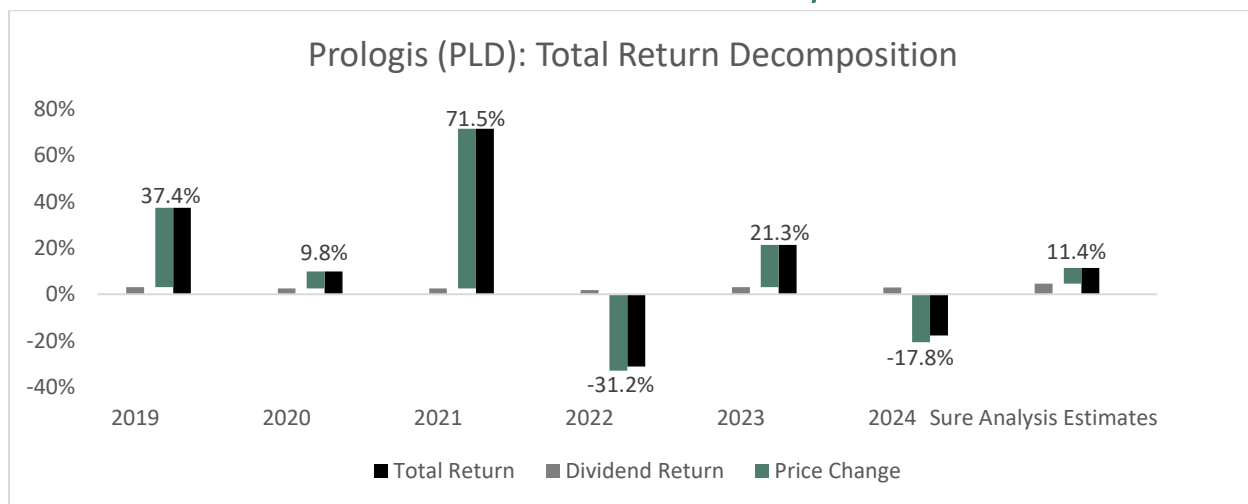
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	68%	65%	63%	63%	64%	61%	61%	61%	62%	69%	71%	71%

Prologis appears to be one of the safest choices amongst REITs during this period of uncertainty in other real estate industries. It features a healthy customer base consisting of huge enterprises that provided essential logistics services during the pandemic. Its occupancy rate remains very strong at 94.8%, and management's encouraging guidance points towards another year of record FFO/share. Also, the company's payout ratio remains healthy at 71%, which could easily support growing dividends in line with FFO/share growth. Further, while the company's low financing costs could keep rising in the current credit environment, we believe that Prologis will manage to retain competitive borrowing rates. Considering that creditors have loose demands based on Prologis' pristine financials, coupled with the company being the largest U.S. REIT in the sector, we find it incredibly unlikely that other REITs could attract cheaper financing than Prologis. Prologis has a unique competitive advantage in that regard.

Final Thoughts & Recommendation

Investors looking to buy into a growing REIT with such a diversified tenant base have limited options nowadays. In our view, Prologis combines growth with numerous operating qualities. We project annual total returns of 11.4% through 2030, driven by our 8.0% FFO/share growth estimate and a 3.9% starting yield. We assign a hold rating to Prologis.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2618	2804	3331	4439	4759	5974	8,023	8,202
Gross Profit	1893	2047	2412	3269	3511	4465	6,013	6,144
Gross Margin	72.3%	73.0%	72.4%	73.6%	73.4%	74.7%	74.9%	74.9%
SG&A Exp.	231	239	267	275	293	331	390	419
D&A Exp.	879	947	1140	1562	1578	1813	2,485	2,581
Operating Profit	771	847	992	1402	1617	2280	3,084	3,098
Op. Margin	29.5%	30.2%	29.8%	31.6%	34.0%	38.2%	38.4%	37.8%
Net Profit	1652	1649	1573	1482	2940	3365	3,059	3,732
Net Margin	63.1%	58.8%	47.2%	33.4%	61.8%	56.3%	38.1%	45.5%
Free Cash Flow	1687	1804	2264	2937	2996	4126	5,373	4,912
Income Tax	55	63	75	131	174	135	211	167

Balance Sheet Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	29481	38418	40032	56070	58490	87900	93,020	95,330
Cash & Equivalents	447	344	1089	598	556	278	530	1,319
Acc. Receivable	85	107	86	189	424	378	326	407
Goodwill & Int.	202	451	314	727	553	1183	1,011	765
Total Liabilities	10775	12617	13960	19740	20740	30030	35,200	36,710
Accounts Payable	703	761	705	1143	1253	1712	1,766	1,769
Long-Term Debt	9413	11090	11906	16850	17720	23880	29,000	30,880
Total Equity	15562	22229	22584	31910	33360	53170	53,120	53,890
LTD/E Ratio	0.60	0.50	0.53	0.53	0.53	0.45	0.55	0.57

Profitability & Per Share Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.5%	4.9%	4.0%	3.1%	5.1%	4.6%	3.4%	4.0%
Return on Equity	10.8%	8.7%	7.0%	5.4%	9.0%	7.8%	5.3%	6.4%
ROIC	5.8%	5.1%	4.2%	3.3%	5.4%	4.9%	3.6%	4.2%
Shares Out.	552	590	655	754	765	812	952	954
Revenue/Share	4.74	4.75	5.09	5.88	6.22	7.36	8.43	8.60
FCF/Share	3.05	3.06	3.46	3.89	3.92	5.08	5.65	5.15

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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