Initiation of Coverage

Prologis, Inc. (NYSE: PLD)

Rent capture · capital discipline · conditional platform expansion

7 September 2026
NYSE / USD
PARTIAL / NOT RATED

NOT RATED

Numerical underwriting incomplete

Target withheld

Source-led investment assessment. The existing Base+ is under review; no target horizon is invented. [M01]

Market snapshot

Price / 4 Sep close	**$137.34**
Common market equity	**$130.52bn**
Issued common shares	**950.375m**
Free float / ADV	**Not retrieved**

[S12] [S22]

Contents

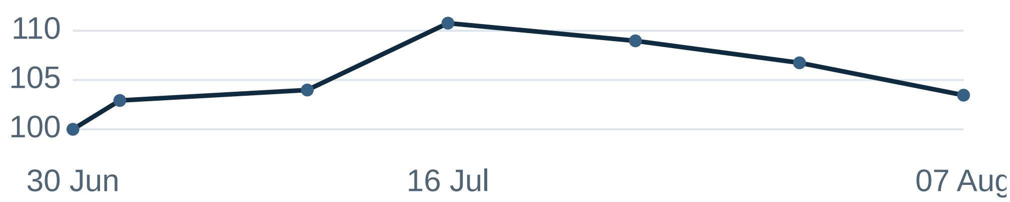
Investment view

Rent capture is demonstrable; expansion still requires funded underwriting. Q2 cash same-store NOI grew 8.5% and ex-promote Core FFO per share 8.8%. The investment question is whether rental growth, development and fees translate into attractive cash returns after investment, financing and dilution. [S01]

Key investment points

- **Visible earnings engine.** Cash re-leasing spreads of 22.3% support rental growth, but average occupancy of 94.9% and rising concessions qualify the signal. [S01]
- **Capital allocation is the differentiator.** Development, data-centre delivery and the recommended SEGRO acquisition expand the opportunity set; each also requires explicit funding and ownership assumptions. [S01] [S08]
- **Trading reference, not fair value.** $137.34 equals 21.94x July FY26 Core FFO guidance midpoint; no target is admitted. [S12] [S01]

Share price performance



Selected closing observations; 30 Jun = 100. Historical window ends 7 Aug, not the research cutoff. Benchmark not retrieved. [S25]

Key financials & estimates

USD m except / share	FY24 A	FY25 A	1H26 A	FY26 G	FY27 E
Consolidated revenue	8,201.6	8,790.1	4,723.2	Not guided	Not admitted
Common net earnings	3,725.8	3,322.3	2,041.3	EPS only	Not admitted
Diluted GAAP EPS	4.01	3.56	2.18	4.40–4.55	Not admitted
Core FFO / share	5.56	5.81	3.13	6.22–6.30	Not admitted
Core FFO ex-promotes / share	5.53	5.86	3.12	6.22–6.30	Not admitted

A = issuer actual; G = July management guidance, pre-SEGRO transaction scope. No forward E is fabricated. Annual and half-year columns are not directly comparable. [S03] [S01] [M01]

The investment debate

Rent capture and platform expansion support the bull case. Concessions, funding and dilution are the countercase. A numerical house-versus-consensus valuation gap is not established.

Page sources · exact identities and locators in the companion manifest. [S01] [S03] [S12] [S22] [S25] [M01]

Business and earnings engine

Initiation of Coverage · Prologis (PLD)

Lease economics · development · third-party capital

7 September 2026
NYSE / USD
Source-led research

Business and earnings engine

The useful unit of analysis is an economic engine with its own ownership, revenue mechanism, capital need and cash conversion. Prologis's reported segments should anchor the accounting; a broader economic decomposition must not invent additional GAAP segments. [S04]

Business and earnings engine

Business engine	Revenue / profit basis	Key driver	Capital / cash requirement	Source
Operating real estate	Q2 rental revenue $2,177.1m; rental expense $530.9m	Occupied space, lease terms, resets and recoveries	Recurring property improvements, turnover cost and collections	S01 p.10
Development / land	Gains outside consolidated revenue; Q2 development / land gains $79.2m	Land basis, build-to-suit demand, construction and stabilisation	Invest before rent; sell, contribute or retain completed projects	S01 pp.10,20–27
Strategic Capital	Q2 revenue $241.6m; annualised third-party FRE $273.6m	Partner capital, recurring fees, transactions and promotes	Capital co-investment and operating costs; fee cash differs from venture earnings	S01 pp.29–32,37
Data centres / energy	Activities within the wider platform, not separate reported segments	Land, power, customer contract and delivery capability	Capital intensity and realisation timing depend on the product	S01/S06

From activity to shareholder cash

Lease / project activity → Ownership-adjusted profit → Investment and funding → Cash / diluted share

Mechanism: capturing below-market leases

Management described a lease mark-to-market of about 17%. That is an embedded rent opportunity, not a second property asset to add to NAV. As below-market leases expire, renewals and new occupiers can raise rent. Yet the resulting cash benefit also depends on downtime, incentives and the capital cost of securing a tenant. [S06] [S01]

Q2 cash rent change of 22.3% and same-store cash NOI growth of 8.5% are related but different observations. The former covers commenced leases; the latter measures the same-store pool. Neither is a forecast that every portfolio lease will reset by the same amount. [S01]

Counter-evidence: costs and perimeter

Trailing-four-quarter free rent increased from 4.1% to 4.4% of lease value between Q1 and Q2. Average Prologis-share occupancy fell to 94.9%, even as owned-and-managed ending occupancy improved. These measures argue for a cash-based assessment rather than reading ending occupancy alone. [S01]

The Asian venture buyout also moved previously unconsolidated properties onto the consolidated statements. Revenue growth therefore includes a reporting-perimeter effect; a model cannot apply consolidated growth mechanically to same-store earnings. [S04]

Economic interpretation

The platform can recycle capital by developing an asset and contributing it to a venture, retaining an economic interest and earning fees. That can broaden income sources. It also creates a modelling challenge: the retained property value, realised gain, venture investment and fee stream must be counted in the correct place, once. A clean accounting-to-cash bridge is therefore central to the investment case, not merely an output-format requirement. [S01] [S04]

Page sources · exact identities and locators in the companion manifest. [S01] [S04] [S06]

Market and competitive position

Initiation of Coverage · Prologis (PLD)

Local-market evidence · peer contrast · comparability

7 September 2026
NYSE / USD
Source-led research

Competitive position, tested

Scale can improve customer reach, access to land and capital formation, but local vacancy and rent vintages still determine economics. The peer evidence is deliberately used to challenge a blanket sector recovery rather than to assign Prologis a premium by assertion. [S01] [S15] [S16]

Industry and competitive position

Peer / market	Comparable measure	Definition / period	Positioning	Evidence
Prologis	Cash same-store NOI +8.5%; Core FFO / share +11.6%	Q2 2026; issuer-adjusted measures	Global logistics, development and capital management	S01
EastGroup	Cash same-property NOI +8.3%; FFO / share ex-items +6.8%	Q2 2026; different property and FFO definitions	U.S. business-distribution / Sun Belt exposure	S15
Rexford	Cash same-property NOI +1.5%; cash re-leasing spread −11.3%	Q2 2026; concentrated Southern California portfolio	A local-market countercheck, not a like-for-like PLD portfolio	S16
U.S. industrial — JLL	Vacancy 6.8%; net absorption 99.1m sq ft	Q2; JLL-defined market universe	Demand has improved within this measured universe	S17
U.S. industrial — CW	Vacancy 6.9%; net absorption 62.1m sq ft	Q2; CW-defined market universe	Different scope; no blending with JLL observations	S19

The advantage to underwrite

Prologis’s footprint supports customer relationships across multiple markets and allows development to follow customer requirements. Strategic Capital adds a route to partner funding. The advantage is most credible when it is evidenced by lease conversion, completed projects and repeat fee earnings—not by gross AUM alone. [S01] [S06]

Southern California represents 19.4% of Prologis-share operating NOI. Its importance means that a global portfolio label does not eliminate concentrated local sensitivity. The right test is rent and occupancy performance in those assets, with a comparable rent-vintage and investment basis. [S01]

The strongest countercase

Rexford’s weak lease spreads demonstrate that landlords within the same broad geography can face different mark-to-market conditions. Its impairment charge relates to shortened holding periods and portfolio strategy; it cannot be transferred mechanically to PLD’s valuation. Nonetheless, it is valid counter-evidence against assuming all industrial portfolios have the same pricing power. [S16]

EastGroup’s strong cash NOI growth also matters. It shows that good growth is not exclusive to PLD, so an investment premium would need evidence of superior risk-adjusted cash returns or duration rather than growth alone. [S15]

What remains unproven

This suite does not establish a contemporaneous, fully harmonised peer valuation table: prices, enterprise claims, earnings definitions and ownership adjustments have not all been aligned. Peer operating evidence supports a competitive discussion, but it is not a justified target multiple. Similarly, differences between broker vacancy estimates are treated as source-universe differences, not averaged into a false point estimate. [S15] [S16] [S17] [S19]

Page sources · exact identities and locators in the companion manifest. [S01] [S15] [S16] [S17] [S19]

Valuation and scenarios

Initiation of Coverage · Prologis (PLD)

A defined framework; no unvalidated numerical target

7 September 2026
NYSE / USD
Model eligibility: REVIEW

Valuation and scenarios

The source pack supports a valuation framework and a trading reference. It does not support an approved numerical fair value: the existing workbook requires repair, and the pending transaction needs separately governed funding and dilution scenarios. [M01] [S08]

Valuation and scenario framework

Method / role	Basis / period	Key assumption	Equity / share value	Scenario	Source / model
Operating-property NAV	PLD-share annualised adjusted cash NOI $6,955.1m, Q2	Local capitalisation rates; normalised vacancy / leasing costs	Not calculated	Standalone	S01 p.36
Development / land	TEI, current investment and disclosed land components	Remaining expenditure, timing, ownership and exit value	Not calculated	Standalone / delivery stress	S01 pp.26,36–37
Strategic Capital	Annualised FRE $273.6m; promotes separately	Durable third-party fee earnings and justified multiple	Not calculated	Recurring / episodic	S01 p.37
Core FFO trading check	Price $137.34 / FY26 G midpoint $6.26	July standalone guidance; no invented target multiple	21.94x, not fair value	Observed reference	C04 / S12 / S01
SEGRO transaction	Announced share exchange and partial cash alternative	Actual elections, new shares, costs, benefits and closing conditions	Not calculated	Conditional combination	S08/S23

Forecast framework

A defensible operating forecast would bridge lease roll, cash spreads and occupancy into rental income, then reconcile the development and capital-management engines. It would include explicit G&A, venture interests, noncontrolling interests and the issuer Core FFO adjustments. Guidance provides an external comparison, not permission to hardcode the answer. [S01] [M01]

The July FY26 Core FFO range is $6.22–6.30 per share, versus $6.07–6.23 in April. The midpoint increase is $0.11; excluding net promotes it is $0.06. This separation is analytically useful because the full headline revision is not all recurring operating improvement. [S01] [S02]

Why the house target is withheld

The stored FY26 other-operating-expense forecast is $36.3m, while July management guidance for G&A alone is $510–525m. The balance sheet also contains a residual liability formula. A mechanical balance test cannot establish the quality of the cash-flow or valuation case under those conditions. [M01] [S01]

The report does not silently repair those numbers or substitute an independently invented forecast. It records the issues, retains source-based analysis and requires a recalculated candidate before any proposed target is adopted. [M01]

Scenario discipline

Upside conditions: cash leasing remains strong, funding is available on acceptable terms, and development realises its expected economics. **Downside conditions:** concessions or downtime absorb rent spreads, capital needs rise, or transaction benefits lag dilution. These are qualitative scenarios, not published probabilities or numerical target ranges. A cash-flow model would have to trace each through the same starting balance sheet and share count. [S01] [S06] [S08]

Page sources · exact identities and locators in the companion manifest. [S01] [S02] [S08] [S12] [S23] [M01]

Catalysts and risk

Initiation of Coverage · Prologis (PLD)

Observable tests · conditional milestones · thesis falsifiers

7 September 2026
NYSE / USD
Source-led research

Catalysts and risks

A catalyst matters when it resolves an uncertainty in cash generation or value. Dates are presented as confirmed events or conditional windows, never as guaranteed outcomes. Current monitoring includes both the operating portfolio and the pending acquisition. [S11] [S23]

Catalysts and milestones

Catalyst	Date / window	Transmission to value	Watch measure	Source
SEGRO shareholder meetings	28 September 2026; Court 11:00, General 11:15 London	Tests a transaction condition; no closing assumed	Votes, elections and subsequent conditions	S23
Q3 earnings / call	15 October 2026, confirmed	Tests average occupancy, cash capture and funding progression	Cash NOI; rent spreads; incentives; current capital position	S11
Data-centre package to market	Management indicated 6–9 months from July	Potential capital recycling; not promised settlement	Asset perimeter, realised proceeds and retained exposure	S06 s49
Combination effectiveness	Expected first half 2027, conditional	Changes assets, earnings, financing and diluted shares	Regulatory/other conditions and actual completion	S08/S23

Risks and thesis falsifiers

Risk / pillar	Mechanism	Materiality / horizon	Falsifier / trigger	Follow-up
R01 Rent conversion	Concessions and downtime offset contractual spread	Operating / next several quarters	Cash NOI weakens despite high headline spreads	Track average occupancy and incentives
R02 Concentration	Local demand or rent resets weaken a key market	SoCal contributes 19.4% of share NOI	Portfolio-specific decline, not only market headlines	Review market rent and lease cohort data
R03 Development / power	Delays, cost overrun or weak exit economics	Multi-year growth / capital	Starts rise without stabilisation, leasing or cash realisation	Separate secured power, projects and delivered assets
R04 Financing	Refinancing costs and capital use outrun recurring cash	Near-term maturities and multi-year spend	Leverage rises on a consistent ex-gain basis	Reconcile cash sources and uses
R05 Transaction	Dilution, costs or integration outweigh benefits	Conditional H1 2027 deal	Unsupported synergy or funding assumptions in a per-share case	Monitor terms and completion conditions

Risk IDs are local baseline identifiers for this corpus, not a claim of existing assignments. Source context: S01 operating/debt tables, S06 commentary, S08/S23 transaction. All follow-up owners are UNASSIGNED. [S01] [S06] [S08] [S23]

What would strengthen the case

A persuasive operating follow-through would show cash NOI growth supported by average occupancy and concessions that are stable or improving. Development would need to produce leased, stabilised assets and real cash recycling. The transaction case would strengthen only when the benefits can be evaluated against the financing and diluted share base.

What would overturn the case

The constructive business assessment would weaken if the rent gap failed to translate into cash, if capital employed rose without a credible route to returns, or if transaction economics depended on unreconciled share counts or unsupported synergies. A lower share price alone would not resolve any of these operating questions.

Page sources · exact identities and locators in the companion manifest. [S01] [S06] [S08] [S11] [S23]

Management and capital allocation

Initiation of Coverage · Prologis (PLD)

Cash sources and uses · project returns · dilution

7 September 2026
NYSE / USD
Source-led research

Management and capital allocation

The disclosed record shows active recycling and platform investment. Evaluate that record through capital put at risk, cash received and retained ownership—not just reported gains, gross transaction value or management's description of the opportunity. [S01] [S04]

Management and capital allocation

Decision / allocation	Capital employed	Economic return / outcome	Funding / trade-off	Evidence
Development cash investment	H1 cash outflow $1,564.2m	Future income / disposition gains depend on execution	Cash spent differs from starts TEI	S04 p.5
Property acquisitions	H1 cash outflow $1,173.4m	Q2 acquisitions include below-market rent and perimeter effects	Compare all-in return, not initial cap rate alone	S04/S06
Disposals / contributions	H1 cash proceeds $1,388.5m	Recycles capital; development and other gains separately recorded	Income foregone and retained venture interests matter	S04 p.5
Common / preferred dividends	H1 cash payments $2,002.2m	Distribution to holders, not reinvestment return	Competes with other uses of cash	S04 p.5
August equity funding	15m base shares closed; option exercised	Creates capital capacity but increases shares	Current issued common count 950.375m at 4 Sep	S10/S22
SEGRO recommendation	Announced equity value $18.8bn at announcement basis	Future combined economics not yet a realised result	Cash election, new shares and transaction costs	S08/S23

Cash funding, in context

H1 operating cash flow was $2,635.0m. Investing used $1,553.2m net, financing used $449.9m net, and currency reduced cash by $12.5m, leaving a $619.4m cash increase. This reconciles to $1,765.0m at June-end. The net investing line already incorporates recycling; it cannot be added to gross proceeds as a second funding source. [S04]

June liquidity of $7,593.1m includes $5,828.1m of available credit commitments. The figure supports flexibility, but it is not a cash balance. Drawing commitments would also alter debt, interest and future refinancing needs. [S01]

Development returns require a common basis

The Q2 Prologis-share starts yield was 7.2%, with an estimated margin of 32.3%; stabilisations had a different 13.8% margin. Different cohorts and project mix prevent a simple conclusion that realised profitability has converged to the latest starts estimate. Management attributed the quarter-on-quarter starts yield change to mix. [S01] [S06]

For data centres, management described possible capital outcomes between powered-shell and turnkey structures. These are alternatives, not additive asset values. A long customer lease may reduce demand risk without eliminating the need to finance construction and deliver power. [S06]

Allocation test for the next model

The update should connect each capital decision to project ownership, remaining spend, stabilisation timing, disposal proceeds, associated debt and common shares. It should also distinguish fee-generating partner assets from assets wholly owned by shareholders. Only then can the growth agenda be evaluated on a repeatable per-share cash-return basis. [S01] [S04] [M01]

Page sources · exact identities and locators in the companion manifest. [S01] [S04] [S06] [S10] [S22]

Evidence and analytical status

Initiation of Coverage · Prologis (PLD)

Claim-level availability · model eligibility · proposed stance

7 September 2026
NYSE / USD
PARTIAL / NOT RATED

Evidence and analytical status

The operating evidence is stronger than the numerical underwriting. This distinction is reflected in the NOT RATED conclusion: the report contains an investment assessment, but no approved forecast, target or committed portfolio action. [S01] [M01]

Evidence, model and review status

Area	Status	Scope / version	Gap / consequence	Next check
Reported financials	AVAILABLE for cited scope	FY25 release; Q2 supplemental / statements	Exact periods and perimeters preserved	Reconcile next reporting event
Earnings expectations	PARTIAL	15 July Zacks FFO estimate $1.53	Other comparable C and pre-event house E absent	Recover remaining point-in-time snapshots
Management language	AVAILABLE to stored text	Q2 transcript; relevant Q1 passages	No independent audio verification	Maintain exact speaker / segment identity
Filings	PARTIAL	Q1/Q2 financials and comparable notes	Stored 10-Q extractions truncate; no full-note redline claim	Recover complete official bytes
Market equity	CALCULATED	4 Sep price × same-date issued common shares	EV and fully diluted transaction perimeter not completed	Reconcile LP units, awards and deal shares
House model	REVIEW	M01 Base+ rev 1 / 6 Sep	Opex mapping, plug, metric definition and funding issues	Repair, recalculate and independently validate
House view / target	PROPOSED qualitative / no target	This source-led initiation	No numerical valuation underwriting	Adopt only after eligible model and approval

What the evidence establishes

The cited records establish an operating improvement in the reported quarter, a July guidance increase, an August financing event and a conditional acquisition agreement. Exact arithmetic supports the named-provider FFO beat and current common-equity market value. These are distinct claims with distinct source dates, not one undifferentiated confidence score. [S01] [S24] [S10] [S22] [S23]

The analytical interpretation is that rent capture remains an attractive business attribute, while the growing capital agenda increases the importance of disciplined funding and ownership accounting. This is not equivalent to a return forecast.

What the evidence does not establish

A cached READY/PASS label does not independently establish an economically valid workbook. Nor does a company-reported development margin provide a completed shareholder-value calculation. Missing pre-event house estimates cannot be reconstructed using the September workbook. [M01]

No independent second analyst or live application publication gate was executed for this offline suite. The accompanying QA record separately reports actual rendering and arithmetic checks, source coverage, and unexecuted production controls. It does not label every remaining issue resolved.

Decision and next review

Proposed research stance: retain a constructive business assessment, withhold a numerical recommendation pending proper underwriting. Prioritise model accounting and transaction funding before adding a target. Reassess the transaction around the 28 September meetings and operating conversion at the 15 October Q3 results. No model, house-view or assignment state was changed by this research task. [S23] [S11] [M01]

Page sources · exact identities and locators in the companion manifest. [S01] [S04] [S05] [S06] [S22] [S23] [S24] [M01]

Source and model appendix

Initiation of Coverage · Prologis (PLD)

Exact source identities · calculations · remaining work

7 September 2026
NYSE / USD
Source-led research

Source and model appendix

All figures in this report use the shared research record. Public-source links, local fact and calculation IDs, document hashes where held, transcript locators, model cells and availability states are retained in the accompanying manifest.

Source and model appendix

Reference	Document / provider	Period / publication	Locator / model output	Use
S01 / S20	PLD supplemental / results release	Q2 / 16 Jul 2026	Supplement pp.5,8–17,20–37 and definitions	Financials, guidance, rent, debt, NAV components
S02 / S03	PLD Q1 / full-year release	16 Apr / 21 Jan 2026	Results and guidance tables	Prior guidance and annual history
S04 / S05	SEC 10-Q pair	29 Jul / 30 Apr 2026	Q2/Q1 financial statements and Notes 1–3	Scoped accounting and perimeter comparison
S06 / S07	FMP transcripts in Vision3	16 Jul / 16 Apr 2026	Transcript IDs, checksums, exact segments	Management language and Q&A
S08 / S23	Recommended combination / scheme notice	4 Aug / 1 Sep 2026	Rule 2.7 / scheme publication announcement	Terms, conditions and meetings
S09 / S10 / S22	Offering 8-Ks / share-count RNS	5–6 Aug / 7 Sep 2026	Item 8.01 / RNS 4782T	Settled base issue and dated common shares
S12 / S25	FMP quote / price-history source	4 Sep quote / historical closes	PLD cached quote; selected Jun–Aug closes	Market observations, not accounting actuals
S24 / S26	Zacks preview / result mapping	15 / 16 Jul 2026	Pre-release FFO and subsequent definition check	Named-provider beat; not all-fields consensus
S15–S19	Peers, broker research, Census	Q2 2026 / Jul–Aug	Issuer and source-defined universes	Competition and industry context
M01	Vision3 Base+ revision 1	6 Sep 2026	Base Case E14, E27, E47, E64, E70, E73	Reference under review; not approved E

Interpretation & mechanism

A displayed financial value does not become a new independent fact when repeated in the tear sheet or earnings report. Its period, metric definition and source remain the same. The current common-equity value uses one dated price and one matching-date common-share count; it does not silently mix the old vendor capitalisation with a newer share register. [S12] [S22]

Counter-evidence & uncertainty

The source book explicitly records partial retrieval, incompatible comparison fields and the model's unresolved issues. A blank or inaccessible source is not evidence of nondisclosure. The complete scheme PDF and the missing portions of the quarterly filings were not represented as read merely because their publication notices or front sections were accessible. [S04] [S05] [S23]

Calculation and version notes

Key calculations are C01 revenue growth, C02–C03 FFO growth, C04 guidance-based multiple, C05 annualised payout yield, C14–C17 issuer FFO/AFFO bridges, C19–C21 cash reconciliation, C23 common market equity, C24–C25 Zacks surprise and C26 earnings-event price move. The manifest retains input identities and full precision; printed values are rounded for readability.

Model SHA-256: 562de199a91206bcfc8e16fba943f76adcc88054c15da7845a6024c3ccd7b0b2. File hashes of this final suite are provided in checksums.json. Source manifest: Research_Manifest.html / research_manifest.json. [M01]