ESG OPPORTUNITIES IN INDUSTRIAL SECTOR
U.S. Industrial Real Estate Market Outlook

Macro Economy
- 2018 turned out better than expected for U.S. economic expansion
- U.S. competitiveness: strong demographics, job growth, and innovation
- Tax reform was positive for U.S. economy and real estate
- Risks: trade wars, tight labor market, and global uncertainties – including EU/EM

Industrial Market Fundamentals
- Shifting consumer preferences (for faster delivery) are transforming supply chain logistics, now more broad-based, covering smaller infill warehouses as well as most markets
- Q2 2019 vacancy was steady at 4.3%, 13th consecutive quarter below 5.0%, 24rd below its LTA of 7.4%
- Overall demand supply fundamentals are in balance, supply has slightly exceeded net absorption H1 2019
- Preleasing levels are significant (about 30%), on par with LTA, mitigating severe oversupply risk
- Rent growth remained healthy through Q2 2019, up 4.1% YoY (vs. 3.5% in 2018). Asking rent was up 6.4%.
- E-commerce, sales up 14.2% in 2018 and 12.4% in Q1 2019, accounts for significant new space demand

Capital Markets
- Industrial cap rates relatively attractive compared to most other property types despite compression
- Global negative/low interest rates should fuel additional foreign capital inflow
- Best-performing NCREIF property sector over the past 1-, 3-, 5-, 7-, 10-, and 15-year periods, and the only core property sector achieving double-digit unlevered total returns

Source: Moody’s Analytics, CBRE-EA, NCREIF, Clarion Partners Investment Research, Q2 2019.
$1 Billion New E-commerce Sales ≈ 1.25 Million SF of New Warehouse Demand

- E-commerce utilizes 3X more warehouse space than traditional retail
- Share of core retail sales expected to increase from 12% to 30% from 2017 to 2030.
- By 2020, total U.S. e-commerce sales forecast to exceed $670 billion, from $512 billion in 2018
- Estimated 200 million sf of new space needed over the next 2 years due to e-commerce expansion alone

Source: Goldman Sachs, Moody’s Analytics, CBRE-EA, Cushman & Wakefield, CBRE Research, Colliers, U.S. Census Bureau, U.S. Bureau of Economic Analysis, Clarion Partners Investment Research, Q2 2019. Note: CBRE Research (2017) estimates this ratio to be $1,000/1.25 square foot. Please see Important Legal Information at the end of this presentation regarding forecasts and projections.
Estimate of U.S. Warehouse Obsolescence

- Average warehouse lifespan ≈ 50 years. Functional obsolescence includes inadequate parking ratios, truck courts, clear heights, or dock door counts.

- Over next five years, approx. 7% of existing warehouse stock will reach/surpass obsolescence threshold.

- Assuming half (3.5%) is truly obsolete = 0.7% of today’s stock per year requires replacement (approx. 470 msf over the next 5 yrs.)


U.S. WAREHOUSE DISTRIBUTION BY VINTAGE

- Built Before 1970: 31.3%
- 1970-1979: 15.7%
- 1980-1989: 16.0%
- 1990-1999: 14.2%
- 2000-present: 16.0%

Source: CBRE-EA, CBRE Research, Clarion Partners Investment Research, Q2 2019.

Note: Obsolescence assumes conservatively that warehouses reach the end of their functional lives at 50 years but can vary based on location and individual building specifications. Analysis includes both for-rent and owner-occupied warehouse space.
Global Investment Management Platform with Local Expertise

| AUM ($bn) | $51.7 |
| Assets   | 1,276 |
| Offices  | 7     |
| Employees| 301   |

**Industrial Platform**

$18.2 Bn, 740 assets, 166.5 mm sf

- Acquisition, management, sales, development capability
- Dallas-based team, over 40 members.
- Senior management with nearly 30 years average experience

**Acquisitions**

34 Team Members

Regional teams based in New York, Dallas, Los Angeles, and London.

**Asset Management**

68 Team Members

Property sector specialists positioned regionally

Personnel and office information as of August 22, 2019. All other information as of June 30, 2019.

Geographic information represents GRE; compared to Firm-level GAV. Please see the Important Legal Information at the end of this presentation.
National Scale Across All Property Types

Scale enhances deal flow and tenant relationships across all major sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Total</th>
<th>Properties</th>
<th>Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDUSTRIAL</td>
<td>$18.2 billion</td>
<td>740 properties</td>
<td>44 markets</td>
</tr>
<tr>
<td>OFFICE</td>
<td>$12.4 billion</td>
<td>99 properties</td>
<td>20 markets</td>
</tr>
<tr>
<td>MULTIFAMILY</td>
<td>$10.2 billion</td>
<td>168 properties</td>
<td>33 markets</td>
</tr>
<tr>
<td>RETAIL</td>
<td>$8.1 billion</td>
<td>137 properties</td>
<td>34 markets</td>
</tr>
<tr>
<td>HOTEL</td>
<td>$1.2 billion</td>
<td>54 properties</td>
<td>36 markets</td>
</tr>
</tbody>
</table>

As of June 30, 2019. Dollar values and diversification percentages are GRE.

1 Excludes Land and Other Investments.

2 Based on Fund’s GAV at June 30, 2019.
Clarion Corporate Responsibility
Enhancing Value Through Responsible Investment

The belief that the sustainability and competitiveness of our properties go hand-in-hand is embedded throughout our organization and is a key consideration in our investment process.

As of December 31, 2018.

**ACCOMPLISHMENTS, INDUSTRY RECOGNITION & CERTIFICATIONS**

- **$26mm+** in recent efficiency investments
- **23MW+** of solar power installations
- **71** LEED certified assets
- **49** ENERGY STAR certified assets
- **Green Stars** Earned by all three open-end funds for excellence in ESG policy & implementation
- **A+** The highest possible score for implementation of responsible investment policies
Industrial Portfolio

Sustainability Initiatives & Features
- Skylights & daylighting
- Reflective white roofing
- Energy-efficient lighting
- Water-efficient irrigation and landscaping
- Low-e glass
- Shade features
- Recycled and recyclable building materials
- Precast panels (waste reduction)
- Low VOC emitting materials (carpets, paints)
- Motion/Occupancy sensors
- Electric vehicle charging stations
- Renewable Energy (19.2 MW generation, 4.2 mm²)
- Green leasing terms (data sharing; capital expenses)
- GRESB reporting since 2014 (43 > 73 score)
- Property certifications

Thornton, CO
19-acre, 6 MW solar installation
Ahead of What’s Next – ESG at Prologis

Steven Hussain, Director, Community Workforce Programs
Prologis is the global leader in logistics real estate

<table>
<thead>
<tr>
<th>PROLOGIS PLATFORM*</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$104 B</td>
<td><strong>19</strong></td>
<td>customers</td>
</tr>
<tr>
<td>AUM</td>
<td>countries on 4 continents</td>
<td></td>
</tr>
<tr>
<td>786 MSF</td>
<td><strong>3,771</strong></td>
<td>buildings</td>
</tr>
<tr>
<td>1,600 Employees</td>
<td><strong>5,100</strong></td>
<td></td>
</tr>
</tbody>
</table>

*As of August 31, 2019 for assets the company owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects.*
ESG is a natural fit in our business strategy
The business case for Prologis ESG

Strengthens relationships with customers, investors, employees and communities in which we do business

Growth in brand value, customer loyalty and satisfaction, investor confidence and employee and community relationships

Cost savings and value preservation from modern efficient building design staying ahead of our customers’ needs

Smart governance of financial, operational and reputational risk building trust among stakeholders
Goals and targets
Ambitious ESG leadership, and measuring what matters

Aligned with United Nations Sustainability Development Goals (SDGs)

<table>
<thead>
<tr>
<th>SDG</th>
<th>INITIATIVE</th>
<th>GOAL</th>
<th>PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Solar Power Generation</td>
<td>200 MW by 2020</td>
<td>93%</td>
</tr>
<tr>
<td>8</td>
<td>Hours Spent Benefiting Local Communities Globally</td>
<td>Increase hours 20% by 2025</td>
<td>Baseline year is 2018</td>
</tr>
<tr>
<td>9</td>
<td>Sustainable Building Certifications</td>
<td>100% designed to sustainable building certification standards¹</td>
<td>162% increase over 5 years²</td>
</tr>
<tr>
<td></td>
<td>Energy Efficient Lighting</td>
<td>100% (includes LED, T5/T8)</td>
<td>88%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SDG</th>
<th>INITIATIVE</th>
<th>GOAL</th>
<th>PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Cool Roofs</td>
<td>100% new development and property improvement³</td>
<td>42%</td>
</tr>
<tr>
<td>13</td>
<td>Greenhouse Gas Emissions Reduction, Scope 1 and 2 (Science Based Targets)</td>
<td>21% reduction in Scope 1 and 2 GHG emissions by 2025</td>
<td>SBT approved in 2018</td>
</tr>
<tr>
<td>13</td>
<td>Greenhouse Gas Emissions Reduction, Scope 3 (Science Based Targets)</td>
<td>16% reduction of Scope 3 GHG emissions by 2025</td>
<td>SBT approved in 2018</td>
</tr>
<tr>
<td>17</td>
<td>Employee Ethics Training</td>
<td>100% Annually</td>
<td>100%</td>
</tr>
</tbody>
</table>

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1. Goal is to design to sustainable building certification standards or with sustainable design features as appropriate and in line with customer specifications.
2. Certifications can be secured after the development has stabilized; therefore, we are showing 5-year progress to capture certifications received over such period.
3. As appropriate given local climate factors.
Key sustainable building design features

- **High efficiency roofing and wall materials**
  - Optimize interior temperatures

- **20-30 percent regionally sourced building materials**
  - Reduce transportation emissions and boost local economies

- **Areas for storage and collection of recyclables**
  - Minimize environmental impact

**Solar panels**
- Turn rooftops into sources of clean energy

**Skylights**
- Reduce daytime electricity use and promote worker comfort

**Cool roofs**
- Reflect sunlight and repel heat, lowering indoor air temperature

**LED lighting**
- Reduces energy costs

**Exterior LED lighting**
- Reduces light pollution and energy costs

**Electric car (EV) charging stations**
- Reduce emissions for daily commuters

**Low-emitting paint**
- Reduces health risks associated with conventional paint products

**Drought-tolerant plants and rainwater collection**
- Decrease water usage, reproduce local ecosystems and support biodiversity

**BUILDING CERTIFICATIONS**
- BREEAM
- CASBEE
- HQE
- WELL
- ISO

**PROJECT MANAGEMENT CERTIFIED**
- ISO 14001
WELL building standard

Communicate health benefits for customers and their employees

• First logistics REIT to receive WELL certification in the world
  – Tacoma: WELL Silver Certification
  – Tilburg: WELL Gold Certification

• Participating in pilot with IWBI to set standard for industrial REITs

• Design features enhance worker comfort and productivity

• Delivers competitive advantage by helping customers attract and retain workers in a tight labor market
Good governance ensures resilience of our business
Preserving value and proactively mitigating risk through integrated oversight

Board of Directors
Executive Committee
ESG Team

• Accounting
• Communications
• Development
• Funds
• Human Resources
• Information Technology
• Investors

• Legal
• Marketing
• Operations
• Procurement
• Property Management
• Risk Management
Community engagement programs
Committed to giving back

- Prologis Foundation
- IMPACT Day
- Health & Wellness
- Inclusion & Diversity
- Learning & Development

225+ nonprofits supported by the Prologis Foundation

53,810 hours donated by Prologis employees over the course of six IMPACT Days since 2013

$841,000 in-kind rent donated to local nonprofits in 2018

Prologis Foundation and Space for Good donations support American Red Cross disaster relief
Helping customers grow where opportunity is growing.

Prologis is investing to help customers find the talent and labor they need through our Community Workforce Initiative.

EMPLOYMENT
Warehouse and Storage Industry¹

1. U.S. Bureau of Labor and Statistics
Community Workforce Initiative (CWI)
Bridging customer and community needs

LOGISTICS & REAL ESTATE: BIGGEST CHALLENGES
% responses extremely or very challenging

- Demands for Lower Delivered Costs/Pricing
- Customer Demands for Faster Response Times
- Increasing Competitive Intensity, Rising Customer Service Expectations
- Customer Demands for More Customized Products and Services
- Customer Demands for Smaller, More Frequent Shipments
- Demands for More Supply Chain Transparency
- Omni Channel Fulfillment

Future of Retail
Urban
Labor
Logistics & Real Estate: Labor

**DISTRIBUTION OF SUPPLY CHAIN COST**

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>45-55%</td>
</tr>
<tr>
<td>Labor</td>
<td>25-30%</td>
</tr>
<tr>
<td>Inventory Costs</td>
<td>20-25%</td>
</tr>
<tr>
<td>Rent</td>
<td>~5%</td>
</tr>
</tbody>
</table>

1% Cost savings in transportation and labor = ~15% Spend on logistics real estate
Logistics & Real Estate: Labor

LABOR SUPPLY VS. AFFORDABILITY

LABOR SUPPLY

ABOVE AVERAGE

AVERAGE

BELOW AVERAGE

HIGH COST

AVG.

LOW COST

LABOR AFFORDABILITY

Oakland

North Virginia D.C.

Boston

Reno

Greenville

Seattle

Los Angeles/Orange County

New Jersey

Baltimore

Minneapolis/St. Paul

Inland Empire

Central Valley

Chicago

Las Vegas

Philadelphia

Salt Lake City

Denver

Detroit

Philadelphia

Salt Lake City

Kansas City

Central Florida

San Antonio

Louisville

Indiana

Atlanta

Dallas/Ft. Worth

Columbia

Cincinnati

Phila

Kansas City

Central Florida

San Antonio

Memphis

Indianapolis

Charlotte

Houston

South Florida
Community Workforce Initiative
Addressing Our Customers’ Labor Pain Points

**OPPORTUNITIES**

**Customer**
- E-commerce labor demand
- Too few qualified workers
- High turnover

**Community**
- Limited awareness of logistics career opportunities
- Few opportunities for focused logistics job training

**OUTCOMES**

- Increase talent pipeline of qualified labor for our customers
- Targeted training for logistics industry careers
- Raise awareness of opportunities in logistics industry
- Further relationships with city agencies and community
- Enhance local economies
Community Workforce Initiative creates opportunities
Connecting customers with communities

**LOS ANGELES**
**EXP: Powered by Prologis**
Job skills workshops and training for high school students
- EXP trains and places high school juniors as interns in Port of Los Angeles/Long Beach communities
- 300 participants per year
- Potential for progression from internships to full time job opportunities

**CHICAGO**
**Propel by Prologis**
3-week workforce readiness bootcamp aimed at 18-30-year-olds
- Partnership with Quad County Urban League: Propel by Prologis
- Emphasis on direct job placement

**MIAMI**
**Prologis Trade and Logistics Lab**
State-of-the-art instructional lab and experiential learning opportunities four-year high school program
- Access to 300 students enrolled in the five M-DCPS high school Trade & Logistics Programs
- Students will receive career guidance from industry executives and be matched in trade internships after their junior year

Powered by Prologis Internship Program Kicks off with EXP in Southern California
Facilities tour for CWI trainees in Propel by Prologis program in partnership with the Quad County Urban League in Chicago, Illinois
Ribbon cutting at the Prologis Trade and Logistics Lab in Miami, Florida
Sustainability has evolved into a dominant theme in today’s real estate industry.

A sustainable company is more than one capable of delivering LEED projects or saving energy through the use of LED lighting.

In our world of industrial development, Sustainability encompasses three primary areas…
In terms of **ENVIRONMENTAL**, 

- Best practices used
- Development and operation of buildings
- Mitigate the impact to the environment

In terms of **SOCIAL**, 

- Identifying diversity and inclusion in all efforts
- Involved with the communities impacted by development
- Contributing to tenants’ well being

In the context of **GOVERNANCE**, 

- Corporate policies are not self-defeating
- Avoid pitfalls to the organization’s long term well-being and reputation
Duke Realty’s corporate culture engrains a focus that insures our business reaps the many benefits associated with diversity and inclusion.

Duke Realty’s commitment to diversification is best exemplified by our active solicitation of a broad spectrum of opinions on business matters.
Social – Diversity & Inclusion

• Suppliers with whom Duke Realty does business
  ➢ Women-owned
  ➢ Minority-owned
  ➢ Veteran-owned

• Duke Realty’s internal workforce represents a true ‘melting pot’ of races, nationalities, religions, genders, cultures, etc.
A diversified team of vendors and associates helps ensure that different perspectives are heard, considered and reflective of everyone with a vested interest in Duke Realty.
Social – Community

Corporate Culture
• Offering paid time off for community service
• Matching associates’ personal donations
• Making monetary contributions based on associates’ volunteer time

Getting involved in projects that make a positive impact on the communities where we work, live and operate
• Donating to local parks
• Contributing to Working Scholars
• Contributing to local infrastructure
Social – Community

Outreach Boosts Diversity – Creating awareness

**Chicago** - DREAM (Duke Realty Fund for Education and Advancement of Minorities) helps fund students at Roosevelt University’s Marshall Bennett Institute of Real Estate.

**Atlanta / Dallas / DC / Chicago** - REAP (Real Estate Associate Program) bridges talented minority professionals and commercial real estate companies.

**Indianapolis** - a partnership with Direct Employers Foundation providing high school students with meaningful, hands-on insight into construction-related careers, exposure to industry professionals, plus provides internship opportunities.
Social – Workplace in the Warehouse

Labor

• Availability Key for logistics operators
• Costs Labor is 10% to 20% of logistics costs
• Standards Duke Realty commissions a labor study for all sites
• Differentiating Providing an edge to attract and retain
Workplace in the Warehouse

Workplace amenities…

*key differentiator in attracting labor, occupiers and investors*
Social – Workplace in the Warehouse

Three BIG issues for operators

- The War for Talent
- Training and Academics
- Culture and Brand
Workplace in the Warehouse

Operators 
Create incentives for workers other than just offering higher wages

Developers 
Provide design solutions and building amenities that help operators in the three areas of talent, training, and culture
Workplace Amenities in Recent Projects

- Stand-Alone Recruiting Offices
- Toll Road Passes
- On-Site Bus Stops
- Large Break Areas (space, daylight, power)
- Plans for 50+ water fountains
- Outdoor Walking Trails / Fitness Equipment
- Outdoor Seating
- Prayer Rooms / Foot Washing
- Onsite Daycare
- Game Rooms
Workplace Amenities in Recent Projects
Workplace Amenities Incorporated into SPECULATIVE Projects

- Outdoor Patio Dining
- Basketball Court
- Fitness Center with Equipment
- Office Areas with Full Height Glass
- Zen Garden
- Bocce Ball
Workplace Amenities Incorporated into SPECULATIVE Projects
### Workplace in the Warehouse Opportunities

<table>
<thead>
<tr>
<th>Technology</th>
<th>Employee Amenities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Expand power conduits throughout</td>
<td>• Multiple restroom and break room areas</td>
</tr>
<tr>
<td>• Multiple WAPs (wireless access points) and RAF antennas for increased connectivity.</td>
<td>• Locate facility near public transportation, fast food restaurants, service retail</td>
</tr>
<tr>
<td>• Automation and/or Robotics to reduce human body stress and fatigue; increasing productivity</td>
<td>• Exercise amenities</td>
</tr>
<tr>
<td></td>
<td>• Outside common areas</td>
</tr>
</tbody>
</table>

### Work Environment Enhancements

- Ample and convenient parking; employee parking separate from trailer or loading dock traffic
- Glass line and skylights at and above dock window for better lighting and increased natural light
- Improve ventilation and air circulation; structural upgrades to allow for the mounting of HVLS fans in the speed bays
- Installing efficient HVAC
Types of Building Certifications that Drive Focus on Workplace Quality