FIBRA PROLOGIS: AN INVESTMENT OPPORTUNITY IN MEXICO

FIBRA Prologis, a Mexican real estate investment trust, was established June 4, 2014. The transaction was an excellent opportunity for us to simplify and grow our business in Mexico. We sat down with Luis Gutierrez, president, Prologis Latin America, to discuss FIBRA Prologis and its investment objectives, as well as its strategy in Mexico.

What exactly is a FIBRA?

Luis Gutierrez (LG): A FIBRA is a Mexican real estate investment trust. It is structured similarly to a REIT, but operates only in Mexico. As of this writing, Mexico has nine publicly traded FIBRAs in the industrial, retail, office and hotel sectors.

Tell us more about FIBRA Prologis.

LG: FIBRA Prologis was formed to acquire, own and manage industrial real estate in Mexico. Our investment strategy is focused

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FEATURED BROKER

Steve Clancy
CBRE
Boston, Mass.

read more about our featured broker on page 2

PROLOGIS FALL CONFERENCE RECAP

Prologis is thrilled to have participated in and sponsored conferences during the 2014 Fall Season.

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PROLOGIS Q4 INDUSTRIAL BUSINESS INDICATOR REPORT

Prologis recently published a new Industrial Business Indicator (IBI) report – a proprietary survey of customer activity levels and facility utilization rates. This recent survey reveals a healthy momentum in the logistics market.

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Throughout his 30-year career, Steve Clancy has worked closely with Prologis. His relationship with Prologis began when he worked on Cabot Business Park in Mansfield, Massachusetts, which was acquired by Prologis in 1997. Since then, Steve has been involved with several deals in the Boston area, as well as other parts of the country, totaling over five million square feet. Over the years he has worked closely with Skip Coppola, Steve Kimball and many other Prologis colleagues from the east region.

One of the more recent, high profile deals in Steve’s career working with Prologis was the 345,000 square foot Peapod lease in Prologis Pulaski Distribution Center in New Jersey where he served as Peapod’s representative. This was an extremely important transaction not only in terms of the value of the lease, closing the deal at approximately $10 per square foot, but also due to the park’s location. Prologis Pulaski Distribution Center is situated on a former landfill site which was repurposed into high-quality warehouse space, providing the opportunity to improve the local community.

Steve’s most recent transaction with Prologis was last month where he successfully closed a 600,000 square foot build-to-suit in Manchester, New Hampshire with UPS. He also recently completed a 100,000 square foot lease which almost filled one of Prologis’ prolonged vacancies.

“Steve has been the broker on the majority of our properties since we owned them and has been leasing the bulk of our properties for over 20 years,” commented Skip Coppola, VP market officer for Boston, Prologis. “He is a solid individual who knows the market as well as any real estate person in the market. Anyone can do large deals from time to time, but his experience and knowledge of the market has proven to be a major benefit to Prologis in keeping our portfolio leased. Steve often puts his relationship with Prologis ahead of financial gain which is a unique characteristic that we appreciate.”

Steve Clancy is the executive vice president of CBRE in Boston. He has worked with CBRE for 11 years after they acquired Insignia, where he worked prior to CBRE. Steve is an active member of NAIOP and the Commercial Brokers Association of Boston. He is also very involved with the Boys and Girls Club in Cambridge. Steve graduated from Middlebury College in Vermont and currently resides in Cambridge.
Why did Prologis decide to sponsor a FIBRA?

LG: For Prologis, the FIBRA simplifies our structure and positions us for long-term growth in this important region, and also is consistent with our strategy of holding assets outside the U.S. in co-investment ventures.

Will there be changes for customers and brokers working with Prologis in Mexico?

LG: In terms of operation, we hope this new structure is seamless to our brokers and customers. FIBRA Prologis and its properties are managed by our Prologis team in Mexico. Our business still functions the same, except now under the umbrella of the FIBRA. This transition to FIBRA Prologis is a positive one, and we do not expect it to affect our relationships with our customers and brokers.

How do you anticipate FIBRA Prologis will grow and remain a positive investment in the future?

LG: We are well-positioned to capitalize on embedded earnings potential as we increase occupancy and roll in-place rents to market.

We also have external growth opportunities and a significant near-term pipeline from our sponsor. FIBRA Prologis will have the right of first refusal to acquire those assets from Prologis. This eliminates the possibility of a bidding war and allows assets to be acquired for the appraised

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FIBRA PROLOGIS (cont. from page 3)

value. Everything Prologis develops in Mexico will be offered to the FIBRA for acquisition. The independent members of the FIBRA Technical Committee (similar to a board of directors) will then determine whether the property will become part of the FIBRA portfolio.

Prologis owns 4.2 million square feet in Mexico that will be offered to the FIBRA for contribution over the next 15 to 18 months. In addition, we own land with development potential of 10.7 million square feet, to be developed over the next five to six years in our six target markets. With this future potential and the main driver for acquisitions coming from Prologis-developed properties, the investment of FIBRA Prologis will continue to grow and strengthen.

IBI REPORT (cont. from page 1)

Our customers reported record levels of activity in October, accelerating into the fourth quarter after a strong summer. We anticipate net absorption of 215-220 million square feet of completions in 2014, with another year of positive excess demand in 2015 as demand again outpaces rising supply. This favorable supply/demand in 2015 is expected to push vacancies to multi-cycle lows in more markets.

Read the full report here.

Questions or comments? Contact Shannon McCorison at smccoris@prologis.com