News Release Archive

Prologis Reports First Quarter 2017 Earnings Results

SAN FRANCISCO, April 18, 2017 /PRNewswire/ -- Prologis, Inc. (NYSE: PLD), the global leader in logistics real estate, today reported results for the first quarter of 2017.

Net earnings per diluted share was $0.38 compared with $0.39 for the same period in 2016. Core funds from operations* per diluted share was $0.63 compared with $0.61 for the same period in 2016.

"We started the year with excellent momentum as housing, construction and e-commerce drove demand for our facilities, leading to the ninth consecutive quarter of double-digit rent change on rollovers," said Hamid R. Moghadam, chairman and CEO, Prologis. "While the national vacancy rate ticked down slightly and fundamentals in our U.S. markets are solid, speculative construction activity increased in several markets in the quarter. Europe continues to emerge as a bright spot for us and market conditions are strengthening, even ahead of our expectations. Our strategy to own top-quality buildings close to the end consumer has never been more important."

Moghadam added: "The combination of our significant embedded rental upside, the build-out of our land bank and continued recovery in Europe will further extend the growth cycle for us."

PORTFOLIO LOCATION DRIVES OUTPERFORMANCE

Owned & Managed	**1Q17**	**1Q16**	**Notes**
Period End Occupancy	96.6%	96.1%	*Europe increased 180 bps year-over-year*
Leases Signed	39MSF	46MSF	*Tempered volume due to high occupancy*

Prologis Share	**1Q17**	**1Q16**	**Notes**
Net Effective Rent Change	19.6%	20.1%	*Led by the U.S. at a record 29.2%*
Cash Rent Change	8.2%	8.6%	
Net Effective Same Store NOI*	5.8%	7.4%	*Led by the U.S. at 7.1%*
Cash Same Store NOI*	7.1%	6.0%	*Led by the U.S. at 8.0%*

FOCUSED INVESTMENT STRATEGY DELIVERS PROFITABLE DEVELOPMENT ACTIVITY

Prologis Share	**1Q17**
Building Acquisitions	$48M
Weighted avg stabilized cap rate	5.6%
Development Stabilizations	$405M
Estimated weighted avg yield	6.8%
Estimated weighted avg margin	22.1%
Estimated value creation	$89M
Development Starts	$312M
Estimated weighted avg margin	19.2%
Estimated value creation	$60M
% Build-to-suit	77.0%
Total Dispositions and Contributions	$485M
Weighted avg stabilized cap rate *(excluding land and other real estate)*	5.6%

Capital deployment activity excludes the $710M net investment made during the quarter to buy out our partners in our North American Industrial Fund (NAIF) venture.

FINANCING ACTIVITY HIGHLIGHTS ADVANTAGED ACCESS TO GLOBAL CAPITAL
Prologis ended the quarter with liquidity of $3.8 billion. During the first quarter, the company and its co-investment ventures completed $900 million of financings, including recasting our ¥50 billion yen revolver at 40 basis points over yen LIBOR and a ¥12 billion term loan at a fixed rate of 95 basis points with a term of over 10 years.

GUIDANCE INCREASED FOR 2017
At the midpoint, guidance for net earnings per diluted share increased $0.13 and Core FFO* per diluted share increased $0.10.

"Operating results continued to exceed our expectations in the first quarter," said Thomas S. Olinger, chief financial officer, Prologis. "The combination of healthy operating fundamentals, higher deployment from investments in our ventures and increased net promote income has led us to raise the midpoint of our full-year guidance ranges for earnings."

2017 GUIDANCE

Earnings (per diluted share)	**Previous**	**Revised**
Net Earnings	$1.55 to $1.70	$1.70 to $1.80

Core FFO*	$2.60 to $2.70	$2.72 to $2.78

Operations	Previous	Revised
Year-end occupancy	95.5% to 96.5%	96.0% to 97.0%
Net Effective Same Store NOI* – Prologis share	4.00% to 5.00%	4.50% to 5.25%

Other Assumptions (in millions)	Previous	Revised
Strategic capital revenue	$205 to $215	$210 to $220
Net promote income	$35 to $45	$65 to $75
General & administrative expenses	$210 to $220	$215 to $225
Realized development gains	$250 to $300	$250 to $300

Capital Deployment (in millions)	Prologis Share	Owned and Managed
Development stabilizations	$1,600 to $2,000	$1,900 to $2,300
Development starts	$1,600 to $1,900	$2,000 to $2,400
Building acquisitions	$100 to $300	$200 to $500
Building and land dispositions	$850 to $1,100	$1,300 to $1,700
Building contributions	$850 to $1,100	$1,000 to $1,300

Capital deployment activity excludes the $710M net investment made during the first quarter to buy out our partners in our NAIF venture.

The earnings guidance described above includes potential future gains (losses) recognized from real estate transactions but excludes any future foreign currency or derivative gains or losses as these items are difficult to predict. In reconciling from net earnings to Core FFO*, Prologis makes certain adjustments, including but not limited to real estate depreciation and amortization expense, gains (losses) recognized from real estate transactions and early extinguishment of debt, acquisition costs, impairment charges, deferred taxes and unrealized gains or losses on foreign currency or derivative activity. The difference between the company's Core FFO* and net earnings guidance for 2017 relates predominantly to these items. Please refer to our first quarter Supplemental Information, which is available on our Investor Relations website at www.ir.prologis.com and on the SEC's website at www.sec.gov for a definition of Core FFO* and other non-GAAP measures used by Prologis, along with reconciliations of these items to the closest GAAP measure for our results and guidance.

WEBCAST & CONFERENCE CALL INFORMATION

Prologis will host a live webcast and conference call to discuss quarterly results, current market conditions and future outlook. Here are the event details:

- Tuesday, April 18, 2017, at 12 p.m. U.S. Eastern Time.
- Live webcast at http://ir.prologis.com by clicking Investors>Investor Events and Presentations.
- Dial in: +1 877-447-8218 or +1 973-409-9692 and enter Passcode 44110133.

A telephonic replay will be available April 18-25 at +1 (855) 859-2056 (from the United States and Canada) or +1 (404) 537-3406 (from all other countries) using conference code 44110133. The webcast replay will be posted when available in the Investor Relations "Events & Presentations" section.

ABOUT PROLOGIS

Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of March 31, 2017, the company owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects expected to total approximately 678 million square feet (63 million square meters) in 19 countries. Prologis leases modern distribution facilities to a diverse base of approximately 5,200 customers across two major categories: business-to-business and retail/online fulfillment.

FORWARD-LOOKING STATEMENTS

The statements in this document that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which we operate as well as management's beliefs and assumptions. Such statements involve uncertainties that could significantly impact our financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to rent and occupancy growth, development activity and changes in sales or contribution volume of properties, disposition activity, general conditions in the geographic areas where we operate, our debt, capital structure and financial position, our ability to form new co-investment ventures and the availability of capital in existing or new co-investment ventures — are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic climates, (ii) changes in financial markets, interest rates and foreign currency exchange rates, (iii) increased or unanticipated competition for our properties, (iv) risks associated with acquisitions, dispositions and development of properties, (v) maintenance of real estate investment trust status, tax structuring and income tax rates (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings, (vii) risks related to our investments in our co-investment ventures, including our ability to establish new co-investment ventures and funds, (viii) risks of doing business internationally, including currency risks, (ix) environmental uncertainties, including risks of natural disasters, and (x) those additional factors discussed in reports filed with the Securities and Exchange Commission by us under the heading "Risk Factors." We undertake no duty to update any forward-looking statements appearing in this document.

*This is a non-GAAP financial measure. See the Notes and Definitions in our supplemental information for further explanation and a reconciliation to the most directly comparable GAAP measure.

dollars in millions, except per share/unit data	**Three Months ended March 31,**	
	2017	**2016**
Revenues	$ 629	$ 606
Net earnings attributable to common stockholders	203	208
Core FFO*	347	330
AFFO*	320	346
Adjusted EBITDA*	512	549
Estimated value creation from development starts - Prologis share	60	39
Common stock dividends and common limited partnership unit distributions	243	230
Per common share - diluted:		
Net earnings attributable to common stockholders	$0.38	$0.39
Core FFO*	0.63	0.61
Business line reporting:		
Real estate operations*	0.57	0.57
Strategic capital*	0.06	0.04
*Core FFO**	*0.63*	*0.61*
Realized development gains, net of taxes	0.06	0.16
Dividends and distributions per common share/unit	0.44	0.42

** This is a non-GAAP financial measure, please see below for further explanation.*

in thousands	**March 31, 2017**	**December 31, 2016**
Assets:		
Investments in real estate properties:		
Operating properties	$ 23,950,202	$ 23,943,457
Development portfolio	1,487,458	1,432,082
Land	1,162,427	1,218,904
Other real estate investments	531,142	524,887
	27,131,229	27,119,330
Less accumulated depreciation	3,914,817	3,758,372
Net investments in real estate properties	23,216,412	23,360,958
Investments in and advances to unconsolidated entities	4,305,881	4,230,429
Assets held for sale	439,743	322,139
Notes receivable backed by real estate	17,006	32,100
Net investments in real estate	27,979,042	27,945,626
Cash and cash equivalents	395,829	807,316
Other assets	1,440,087	1,496,990
Total assets	**$ 29,814,958**	**$ 30,249,932**
Liabilities and Equity:		
Liabilities:		
Debt	$ 10,966,932	$ 10,608,294
Accounts payable, accrued expenses and other liabilities	1,179,605	1,183,498
Total liabilities	12,146,537	11,791,792
Equity:		
Stockholders' equity	14,746,867	14,991,081
Noncontrolling interests	2,516,015	3,072,469
Noncontrolling interests - limited partnership unitholders	405,539	394,590
Total equity	17,668,421	18,458,140
Total liabilities and equity	**$ 29,814,958**	**$ 30,249,932**

in thousands, except per share amounts	**Three Months Ended**

	March 31, 2017	2016
Revenues:		
Rental	$ 566,933	$ 554,116
Strategic capital	57,045	51,003
Development management and other	5,177	1,181
Total revenues	629,155	606,300
Expenses:		
Rental	152,656	146,581
Strategic capital	31,799	25,293
General and administrative	53,617	50,543
Depreciation and amortization	226,591	250,000
Other	2,606	4,685
Total expenses	467,269	477,102
Operating income	**161,886**	**129,198**
Other income (expense):		
Earnings from unconsolidated co-investment ventures, net	45,450	47,192
Earnings from other unconsolidated ventures, net	3,155	11,119
Interest expense	(72,912)	(80,812)
Gains on dispositions of development properties and land, net	29,800	93,985
Gains on dispositions of real estate, net (excluding development properties and land)	67,525	50,332
Foreign currency and derivative (losses) and interest and other income, net	(4,615)	(11,620)
Losses on early extinguishment of debt, net	-	(1,052)
Total other income	68,403	109,144
Earnings before income taxes	230,289	238,342
Current income tax expense	(7,161)	(16,156)
Deferred income tax benefit (expense)	(2,439)	619
Consolidated net earnings	220,689	222,805
Net earnings attributable to noncontrolling interests	(10,137)	(6,841)
Net earnings attributable to noncontrolling interests - limited partnership units	(5,623)	(6,234)
Net earnings attributable to controlling interests	204,929	209,730
Preferred stock dividends	(1,674)	(1,689)
Net earnings attributable to common stockholders	**$ 203,255**	**$ 208,041**
Weighted average common shares outstanding - Diluted	550,010	543,562
Net earnings per share attributable to common stockholders - Diluted	**$ 0.38**	**$ 0.39**

in thousands	Three Months Ended March 31, 2017	2016
Net earnings attributable to common stockholders	$ 203,255	$ 208,041
Add (deduct) NAREIT defined adjustments:		
Real estate related depreciation and amortization	219,071	243,592
Gains on dispositions of real estate, net (excluding development properties and land)	(67,525)	(50,332)
Reconciling items related to noncontrolling interests	(25,063)	(40,275)
Our share of reconciling items related to unconsolidated co-investment ventures	32,059	40,000
Our share of reconciling items related to other unconsolidated ventures	1,614	(2,506)
Subtotal-NAREIT defined FFO*	**$ 363,411**	**$ 398,520**
Add (deduct) our defined adjustments:		
Unrealized foreign currency and derivative losses, net	12,203	15,328
Deferred income tax expense (benefit)	2,439	(619)
Current income tax benefit on dispositions related to acquired tax assets	(1,270)	-
Reconciling items related to noncontrolling interests	(94)	483
Our share of reconciling items related to unconsolidated co-investment ventures	1,063	(1,974)
FFO, as modified by Prologis*	**$ 377,752**	**$ 411,738**
Gains on dispositions of development properties and land, net	(29,800)	(93,985)
Current income tax expense (benefit) on dispositions	(1,086)	8,323
Acquisition expenses	-	1,261
Losses on early extinguishment of debt, net	-	1,052
Reconciling items related to noncontrolling interests	(1,167)	90

Our share of reconciling items related to unconsolidated co-investment ventures	974	2,464
Our share of reconciling items related to other unconsolidated ventures	79	(1,310)
Core FFO*	**$ 346,752**	**$ 329,633**
Adjustments to arrive at Adjusted FFO ("AFFO*"), including our share of unconsolidated co-investment ventures less noncontrolling interests:		
Gains on dispositions of development properties and land, net	29,800	93,985
Current income tax benefit (expense) on dispositions	1,086	(8,323)
Straight-lined rents and amortization of lease intangibles	(25,497)	(31,561)
Property improvements	(7,395)	(7,257)
Turnover costs	(40,278)	(41,569)
Amortization of debt premiums, financing costs and management contracts, net	(2,065)	(4,475)
Stock compensation expense	18,380	12,465
Reconciling items related to noncontrolling interests	13,378	17,441
Our share of reconciling items related to unconsolidated co-investment ventures	(14,404)	(14,664)
AFFO*	**$ 319,757**	**$ 345,675**

** This is a non-GAAP financial measure, please see below for further explanation.*

in thousands	**Three Months Ended March 31,**	
	2017	**2016**
Net earnings attributable to common stockholders	$ 203,255	$ 208,041
Gains on dispositions of real estate, net (excluding development properties and land)	(67,525)	(50,332)
Depreciation and amortization	226,591	250,000
Interest expense	72,912	80,812
Losses on early extinguishment of debt, net	-	1,052
Current and deferred income tax expense, net	9,600	15,537
Net earnings attributable to noncontrolling interests - limited partnership unitholders	5,623	6,234
Pro forma adjustments	10,379	(5,935)
Preferred stock dividends	1,674	1,689
Unrealized foreign currency and derivative losses, net	12,203	15,328
Stock compensation expense	18,380	12,465
Acquisition expenses	-	1,261
Adjusted EBITDA, consolidated*	**$ 493,092**	**$ 536,152**
Reconciling items related to noncontrolling interests	(34,496)	(51,975)
Our share of reconciling items related to unconsolidated co-investment ventures	53,070	65,047
Adjusted EBITDA*	**$ 511,666**	**$ 549,224**

** This is a non-GAAP financial measure, please see below for further explanation.*

Adjusted EBITDA We use Adjusted EBITDA, a non-Generally Accepted Accounting Principles ("GAAP") financial measure, as a measure of our operating performance. The most directly comparable GAAP measure to Adjusted EBITDA is net earnings.

We calculate Adjusted EBITDA beginning with consolidated net earnings attributable to common stockholders and removing the effect of: interest expense, income taxes, depreciation and amortization, impairment charges, third party acquisition expenses related to the acquisition of real estate, gains or losses from the disposition of investments in real estate (excluding development properties and land), gains from the revaluation of equity investments upon acquisition of a controlling interest, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our FFO measures (see definition below), and other items, such as, stock based compensation and unrealized gains or losses on foreign currency and derivatives. We also include a pro forma adjustment to reflect a full period of NOI on the operating properties we acquire or stabilize during the quarter and remove NOI on properties we dispose of during the quarter, to assume all transactions occurred at the beginning of the quarter. The pro forma adjustment also includes economic ownership changes in our ventures to reflect the full quarter at the new ownership percentage.

We believe Adjusted EBITDA provides investors relevant and useful information because it permits investors to view our operating performance, analyze our ability to meet interest payment obligations and make quarterly preferred stock dividends on an unleveraged basis before the effects of income tax, non-cash depreciation and amortization expense, gains and losses on the disposition of non-development properties and other items (outlined above), that affect comparability. While all items are not infrequent or unusual in nature, these items may result from market fluctuations that can have inconsistent effects on our results of operations. The economics underlying these items reflect market and financing conditions in the short-term but can obscure our performance and the value of our long-term investment decisions and strategies.

While we believe Adjusted EBITDA is an important measure, it should not be used alone because it excludes significant components of net earnings, such as our historical cash expenditures or future cash requirements for working capital, capital expenditures, distribution requirements, contractual commitments or interest and principal payments on our outstanding debt and is therefore limited as an analytical tool.

Our computation of Adjusted EBITDA may not be comparable to EBITDA reported by other companies in both the real estate industry and other industries. We compensate for the limitations of Adjusted EBITDA by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Adjusted EBITDA and a reconciliation to Adjusted EBITDA from consolidated net earnings attributable to common stockholders.

Business Line Reporting is a non-GAAP financial measure. Core FFO and development gains are generated by our three lines of business: (i) real estate operations; (ii) strategic capital; and (iii) development. The real estate operations line of business represents total Prologis Core FFO, less the amount allocated to the Strategic Capital line of business. The amount of Core FFO allocated to the Strategic Capital line of business represents the Asset Management Fees we earn from our consolidated and unconsolidated Co-Investment Ventures less costs directly associated to our strategic capital group, plus development management income. Realized development gains include our share of gains on dispositions of development properties and land, net of taxes. To calculate the per share amount, the amount generated by each line of business is divided by the weighted average diluted common shares outstanding used in our Core FFO per share calculation. Management believes evaluating our results by line of business is a useful supplemental measure of our operating performance because it helps the investing public compare the operating performance of Prologis' respective businesses to other companies' comparable businesses. Prologis' computation of FFO by line of business may not be comparable to that reported by other real estate investment trusts as they may use different methodologies in computing such measures.

Calculation of Per Share Amounts **in thousands, except per share amount**	**Three Months Ended Mar. 31,**	
	2017	**2016**
Net earnings		
Net earnings	$ 203,255	$ 208,041
Noncontrolling interest attributable to exchangeable limited partnership units	5,967	6,609
Adjusted net earnings - Diluted	**$ 209,222**	**$ 214,650**
Weighted average common shares outstanding - Basic	528,721	524,205
Incremental weighted average effect on exchange of limited partnership units	16,455	17,543
Incremental weighted average effect of equity awards	4,834	1,814
Weighted average common shares outstanding - Diluted	**550,010**	**543,562**
Net earnings per share - Basic	**$ 0.38**	**$ 0.40**
Net earnings per share - Diluted	**$ 0.38**	**$ 0.39**
Core FFO		
Core FFO	$ 346,752	$ 329,633
Noncontrolling interest attributable to exchangeable limited partnership units	941	46
Core FFO - Diluted	**$ 347,693**	**$ 329,679**
Weighted average common shares outstanding - Basic	528,721	524,205
Incremental weighted average effect on exchange of limited partnership units	16,455	15,877
Incremental weighted average effect of equity awards	4,834	1,814
Weighted average common shares outstanding - Diluted	**550,010**	**541,896**
Core FFO per share - Diluted	**$ 0.63**	**$ 0.61**

Estimated Value Creation represents the value that we expect to create through our development and leasing activities. We calculate Value Creation by estimating the Stabilized NOI that the property will generate and applying a stabilized capitalization rate applicable to that property. Estimated Value Creation is calculated as the amount by which the value exceeds our total expected investment and does not include any fees or promotes we may earn. Estimated Value Creation for our Value-Added Properties that are sold includes the realized economic gain.

Estimated Weighted Average Margin is calculated on development properties as Estimated Value Creation, less estimated closing costs and taxes on properties expected to be sold or contributed, divided by TEI.

FFO, as modified by Prologis attributable to common stockholders/unitholders ("FFO, as modified by Prologis"); Core FFO attributable to common stockholders/unitholders ("Core FFO"); AFFO; (collectively referred to as "FFO"). FFO is a non-GAAP financial measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings.

The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as earnings computed under GAAP to exclude historical cost depreciation and gains and losses from the sales, along with impairment charges, of previously depreciated properties. We also consider the gains on revaluation of equity investments upon acquisition of a controlling interest and the gain recognized from a partial sale of our investment to be similar as a gain from the sale of previously depreciated properties under the NAREIT definition of FFO. We exclude similar adjustments from our unconsolidated entities and the third parties' share of our consolidated ventures.

Our FFO Measures

Our FFO measures begin with NAREIT's definition and we make certain adjustments to reflect our business and the way that management plans and executes our business strategy. While not infrequent or unusual, the additional items we adjust for in calculating *FFO, as modified by Prologis*, *Core FFO* and *AFFO*, as defined below, are subject to significant fluctuations from period to period.

Although these items may have a material impact on our operations and are reflected in our financial statements, the removal of the effects of these items allows us to better understand the core operating performance of our properties over the long term. These items have both positive and negative short-term effects on our results of operations in inconsistent and unpredictable directions that are not relevant to our long-term outlook.

We calculate our FFO measures, below, based on our proportionate ownership share of both our unconsolidated and consolidated ventures. We reflect our share of our FFO measures for unconsolidated ventures by applying our average ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated ventures in which we do not own 100% of the equity by adjusting our FFO measures to remove the noncontrolling interests share of the applicable reconciling items based on our average ownership percentage for the applicable periods.

These FFO measures are used by management as supplemental financial measures of operating performance and we believe that it is important that stockholders, potential investors and financial analysts understand the measures management uses. We do not use our FFO measures as, nor should they be considered to be, alternatives to net earnings computed under GAAP, as indicators of our operating performance, as alternatives to cash from operating activities computed under GAAP or as indicators of our ability to fund our cash needs.

We analyze our operating performance primarily by the rental revenues of our real estate and the revenues from our strategic capital business, net of operating, administrative and financing expenses. This income stream is not directly impacted by fluctuations in the market value of our investments in real estate or debt securities.

FFO, as modified by Prologis

To arrive at *FFO, as modified by Prologis*, we adjust the NAREIT defined FFO measure to exclude:

(i) deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;
(ii) current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in earnings that is excluded from our defined FFO measure;
(iii) unhedged foreign currency exchange gains and losses resulting from debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated entities;
(iv) foreign currency exchange gains and losses from the remeasurement (based on current foreign currency exchange rates) of certain third party debt of our foreign consolidated subsidiaries and our foreign unconsolidated entities; and
(v) mark-to-market adjustments associated with derivative financial instruments.

We use FFO, as modified by Prologis, so that management, analysts and investors are able to evaluate our performance against other REITs that do not have similar operations or operations in jurisdictions outside the U.S.

Core FFO

In addition to *FFO, as modified by Prologis,* we also use Core FFO. To arrive at *Core FFO,* we adjust *FFO, as modified by Prologis*, to exclude the following recurring and nonrecurring items that we recognized directly in *FFO, as modified by Prologis*:

(i) gains or losses from the disposition of land and development properties that were developed with the intent to contribute or sell;
(ii) income tax expense related to the sale of investments in real estate and third-party acquisition costs related to the acquisition of real estate;
(iii) impairment charges recognized related to our investments in real estate generally as a result of our change in intent to contribute or sell these properties;
(iv) gains or losses from the early extinguishment of debt and redemption and repurchase of preferred stock; and
(v) expenses related to natural disasters.

We use Core FFO, including by segment and region, to: (i) assess our operating performance as compared to other real estate companies, (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods; (iii) evaluate the performance of our management; (iv) budget and forecast future results to assist in the allocation of resources; (v) provide guidance to the financial markets to understand our expected operating performance; and (v) evaluate how a specific potential investment will impact our future results.

AFFO

To arrive at AFFO, we adjust Core FFO to include realized gains from the disposition of land and development properties and recurring capital expenditures and exclude the following items that we recognize directly in Core FFO:

(i) straight-line rents;
(ii) amortization of above- and below-market lease intangibles;
(iii) amortization of management contracts;
(iv) amortization of debt premiums and discounts and financing costs, net of amounts capitalized, and;
(v) stock compensation expense.

We use AFFO to (i) assess our operating performance as compared to other real estate companies, (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods, (iii) evaluate the performance of our management, (iv) budget and forecast future results to assist in the allocation of resources, and (v) evaluate how a specific potential investment will impact our future results.

Limitations on the use of our FFO measures

While we believe our modified FFO measures are important supplemental measures, neither NAREIT's nor our measures of FFO should be used alone because they exclude significant economic components of net earnings computed under GAAP and are, therefore, limited as an analytical tool. Accordingly, these are only a few of the many measures we use when analyzing our business. Some of the limitations are:

- The current income tax expenses and acquisition costs that are excluded from our modified FFO measures represent the taxes and transaction costs that are payable.
- Depreciation and amortization of real estate assets are economic costs that are excluded from FFO. FFO is limited, as it does not reflect the cash requirements that may be necessary for future replacements of the real estate assets. Furthermore, the amortization of capital expenditures and leasing costs necessary to maintain the operating performance of logistics facilities are not reflected in FFO.
- Gains or losses from non-development property and dispositions or impairment charges related to expected dispositions represent changes in value of the properties. By excluding these gains and losses, FFO does not capture realized changes in the value of disposed properties arising from changes in market conditions.
- The deferred income tax benefits and expenses that are excluded from our modified FFO measures result from the creation of a deferred income tax asset or liability that may have to be settled at some future point. Our modified FFO measures do not currently reflect any income or expense that may result from such settlement.
- The foreign currency exchange gains and losses that are excluded from our modified FFO measures are generally recognized based on movements in foreign currency exchange rates through a specific point in time. The ultimate settlement of our foreign currency-denominated net assets is indefinite as to timing and amount. Our FFO measures are limited in that they do not reflect the current period changes in these net assets that result from periodic foreign currency exchange rate movements.
- The gains and losses on extinguishment of debt that we exclude from our Core FFO, may provide a benefit or cost to us as we may be settling our debt at less or more than our future obligation.
- The natural disaster expenses that we exclude from Core FFO are costs that we have incurred.

We compensate for these limitations by using our FFO measures only in conjunction with net earnings computed under GAAP when making our decisions. This information should be read with our complete Consolidated Financial Statements prepared under GAAP. To assist investors in compensating for these limitations, we reconcile our modified FFO measures to our net earnings computed under GAAP.

Guidance. The following is a reconciliation of our guided Net Earnings per share to our guided Core FFO per share:

	Low	High
Net Earnings	$ 1.70	$ 1.80
Our share of:		
Depreciation and amortization	1.68	1.72
Net gains on real estate transactions, net of taxes	(0.69)	(0.77)
Unrealized foreign currency losses and other, net	0.03	0.03
Core FFO	$ 2.72	$ 2.78

Prologis Share represents our proportionate economic ownership of each entity included in our total owned and managed portfolio whether consolidated or unconsolidated.

Rent Change (Cash) represents the change in starting rental rates per the lease agreement, on new and renewed leases, signed during the periods as compared with the previous ending rental rates in that same space. This measure excludes any free rent periods and teaser rates defined as 50% or less of the stabilized rate.

Rent Change (Net Effective) represents the change in net effective rental rates (average rate over the lease term), on new and renewed leases, signed during the period as compared with the previous effective rental rates in that same space.

Same Store. We evaluate the operating performance of the operating properties we own and manage using a "same store" analysis because the population of properties in this analysis is consistent from period to period, which eliminates the effects of changes in the composition of the portfolio. We have defined the same store portfolio, for the three months ended March 31, 2017, as those owned and managed properties that were in operation at January 1, 2016 and have been in operation throughout the same three-month periods in both 2016 and 2017 (including development properties that have been completed and available for lease). We removed all properties that were disposed of to a third party or were classified as held for sale to a third party from the population for both periods. We believe the factors that affect rental revenues, rental expenses and NOI in the same store portfolio are generally the same as for the total operating portfolio. To derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the recent period end exchange rate to translate from local currency into the U.S. dollar, for both periods.

Same store is a commonly used measure in the real estate industry. Our same store measures are non-GAAP financial measures that are calculated beginning with rental revenues, rental recoveries and rental expenses from the financial statements prepared in accordance with GAAP. It is also common in the real estate industry and expected from the analyst and investor community that these numbers be further adjusted to remove certain non-cash items included in the financial statements prepared in accordance with GAAP to reflect a cash same store number. In order to clearly label these metrics, we call one Same Store NOI and one Same Store NOI – Cash.

As our same store measures are non-GAAP financial measures, they have certain limitations as analytical tools and may vary among real estate companies. As a result, we provide a reconciliation from our financial statements prepared in accordance with GAAP to same store property NOI with explanations of how these metrics are calculated.

The following is a reconciliation of our consolidated rental revenues, rental recoveries, rental expenses and property NOI, as included in the Consolidated Statements of Operations, to the respective amounts in our same store portfolio analysis*:*

dollars in thousands	**Three Months Ended March 31,**			
	2017	**2016**	**Change**	**(%)**
Rental Revenue:				
Rental Revenue	$ 439,884	$ 437,104		
Rental Recoveries	127,049	117,012		
Per the Consolidated Statements of Operations	566,933	554,116		
Properties not included and other adjustments (a)	(46,644)	(59,084)		
Unconsolidated Co-Investment Ventures	460,870	445,073		
Same Store - Rental Revenue	**$ 981,159**	**$ 940,105**		**4.4 %**
Rental Expense:				
Per the Consolidated Statements of Operations	$ 152,656	$ 146,518		
Properties not included and other adjustments (b)	(3,350)	(5,545)		
Unconsolidated Co-Investment Ventures	101,547	101,161		
Same Store - Rental Expense	**$ 250,853**	**$ 242,134**		**3.6 %**
NOI:				
Consolidated NOI	$ 414,277	$ 407,598		
Properties not included and other adjustments	(43,294)	(53,539)		
Unconsolidated Co-Investment Ventures	359,323	343,912		
Same Store - NOI	**$ 730,306**	**$ 697,971**		**4.6 %**
Same Store - NOI - Prologis Share (c)	**$ 432,960**	**$ 409,273**		**5.8 %**
NOI- Cash:				
Same store- NOI	$ 730,306	$ 697,971		
Straight-line rent adjustments (d)	$ (19,024)	$ (27,451)		
Fair value lease adjustments (d)	(598)	(1,054)		
Same Store - NOI- Cash	**$ 710,684**	**$ 669,466**		**6.2 %**
Same Store - NOI- Prologis Share (c)	**$ 420,048**	**$ 392,328**		**7.1 %**

(a) To calculate Same Store rental income, we exclude the net termination and renegotiation fees to allow us to evaluate the growth or decline in each property's rental income without regard to items that are not indicative of the property's recurring operating performance.

(b) To calculate Same Store rental expense, we include an allocation of the property management expenses for our consolidated properties based on the property management fee that is provided for in the individual management agreements under which our wholly owned management companies provide property management services (generally the fee is based on a percentage of revenue). On consolidation, the management fee income and expenses are eliminated and the actual cost of providing property management services is recognized.

(c) Prologis share of Same Store is calculated using the underlying building information from the Same Store NOI and NOI - Cash calculations and applying our ownership percentage as of December 31, 2016 to the NOI of each building for both periods.

(d) In order to derive Same Store- NOI - Cash, we adjust Same Store- NOI to exclude non-cash items included in our rental income in our financial statements, including straight line rent adjustments and adjustments related to purchase accounting to reflect leases at fair value at the time of acquisition.

Weighted Average Stabilized Capitalization ("Cap") Rate is calculated as Stabilized NOI divided by the Acquisition Cost.

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