The Future Flow of Goods

Prologis Economic Impact Report 2020

EXECUTIVE SUMMARY

Logistics real estate encompasses far more than the distribution of goods—it is a critical waypoint in the global economy and an essential component of the modern supply chain, especially as it pertains to the ongoing expansion of e-commerce. With consumer expectations for ever-faster delivery of goods on the rise, companies of all sizes are reevaluating their distribution networks and shifting their business models to tap into the power of being close to major population centers.

The COVID-19 pandemic has put the spotlight on the reality of this shift. As shelter-in-place orders went into effect around the world, consumers by necessity had to change their buying habits. In response, companies are ramping up e-fulfillment and adjusting their supply chain management tactics to accommodate new consumption patterns. Also, of note: As a result of the pandemic, resiliency in the supply chain is now being prioritized over the former "ideal" model of efficiency.

As the global leader in logistics real estate, every day Prologis sees many of the goods that make modern life possible flow through its distribution centers. These products include food and beverage; household essentials; apparel; electronics; medical supplies and pharmaceuticals; building and transportation supplies; and automotive.

Due to its scale, the company has a unique view into the interconnected nature of global trade. It has commissioned independent advisory firm Oxford Economics (OE) to conduct an economic impact analysis to examine how its business operations and its customers' activity together contribute to the global economy. **Phase 1** of the **Future Flow of Goods** study was conducted in 2017. In **Phase 2**, conducted in the spring and early summer of 2020, OE updated its findings to reflect Prologis' growth and changes in the logistics real estate landscape.

Key insights from the updated **Future Flow of Goods** study include the following:

→ **Throughput**

→ **Growth and Scale**

→ **Global Household Consumption**

→ **Jobs**

→ **Taxes**

These insights are illustrated on the following pages.

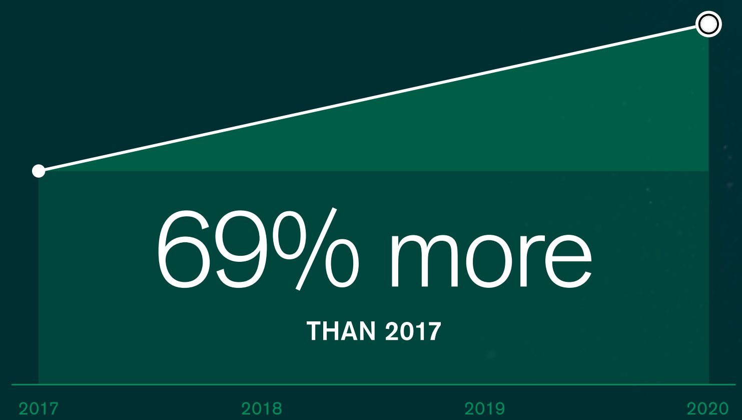
ABOUT THE STUDY

Data and assumptions used in the study are based on several sources, including internal Prologis data. While Prologis portfolio data are current as of June 30, 2020, productivity estimates are generally made using 2019 data, and results are benchmarked to 2019 macroeconomic data, as these are the most recently available published figures. Additionally, this approach avoids complications relating to Covid-19 induced economic effects. The assumptions relating to square footage per warehouse worker were also made prior to Covid-19. Changes to these assumptions were considered, but given the fluidity of the situation, it was decided not to adjust these estimates, especially as Prologis continues to see strong staffing needs from large warehouse users.
For the full report by Oxford Economics, please visit https://www.prologis.com/about/economic-impact-report.

PROLOGIS® OXFORD ECONOMICS

$2.2 trillion

ECONOMIC VALUE OF GOODS THROUGH OUR WAREHOUSES GLOBALLY



Throughput

The current economic value of goods flowing through Prologis facilities worldwide is $2.2 trillion, an increase of 69% over 2017.[1] This number underscores the diversity of the Prologis customer base and the scale and value of its global real estate portfolio.

1. Based on 2019 data per Oxford Economics report

2.5%

OF GLOBAL GDP

3.5% of GDP

OF GDP IN THE 19 COUNTRIES WHERE PROLOGIS OPERATES

Growth and Scale

Prologis Park Augsburg, Augsburg, Germany

This $2.2 trillion in throughput represents 3.5% of the gross domestic product (GDP) of the 19 countries in which Prologis operates. In 2017, the company's portfolio spanned 684 million square feet, and throughput represented 2.4% of the GDP of those same 19 countries.[2] The increase speaks to Prologis' growth strategy and the scale of its platform, which comprises nearly 1 billion square feet today.

2. Per Oxford Economics, it is important to note that GDP represents the total value of all final goods and services production. Some warehouses may be used to store intermediate goods (i.e. components used in the production of final goods), and of course services do not need to be stored, and a single good will often be stored in multiple warehouses on its way to final consumers.

PROLOGIS® OXFORD ECONOMICS

4.4%

OF GLOBAL HOUSEHOLD CONSUMPTION

Product categories flowing through Prologis facilities:

- → Food and beverage
- → Household essentials
- → Apparel
- → Electronics
- → Medical supplies and pharmaceuticals
- → Building and transportation supplies
- → Automotive

Global Household Consumption

The flow of goods through Prologis buildings represents 2.5% of global GDP—4.4% of global household consumption.[2]
In 2017, the flow of goods was 1.7% of global GDP.

2. Per Oxford Economics, it is important to note that GDP represents the total value of all final goods and services production. Some warehouses may be used to store intermediate goods (i.e. components used in the production of final goods), and of course services do not need to be stored, and a single good will often be stored in multiple warehouses on its way to final consumers.

850,000

WORKERS EMPLOYED IN PROLOGIS FACILITIES GLOBALLY

Jobs

Prologis is a powerful supporter of jobs in its communities; approximately 850,000 people go to work under Prologis roofs, a 57.4% increase over 2017.[3]

3. Based on estimates available in 2017, Oxford Economics assumed that direct employment at Prologis warehouses would be one worker for every 743 square feet (69 square meters) of warehouse space globally. Subsequent research by Prologis has refined this estimate and resulted in the country-specific estimates of 1,000-1,900 square feet per direct employee. Based on the original assumption, we estimated total direct employment of 816,200 workers in Prologis warehouses in July 2017. Updating the previous assumption, however, Oxford Economics would estimate total employment in Prologis warehouses in 2017 of 539,900.

$55 billion

TOTAL GLOBAL TAX IMPACTS IN THE 19 COUNTRIES WHERE WE OPERATE

Taxes

Prologis Park Kyotanabe, Kyoto, Japan

The total tax impacts generated by the estimated $214 billion in economic activity in Prologis' 19 countries of operation is an estimated $55 billion.