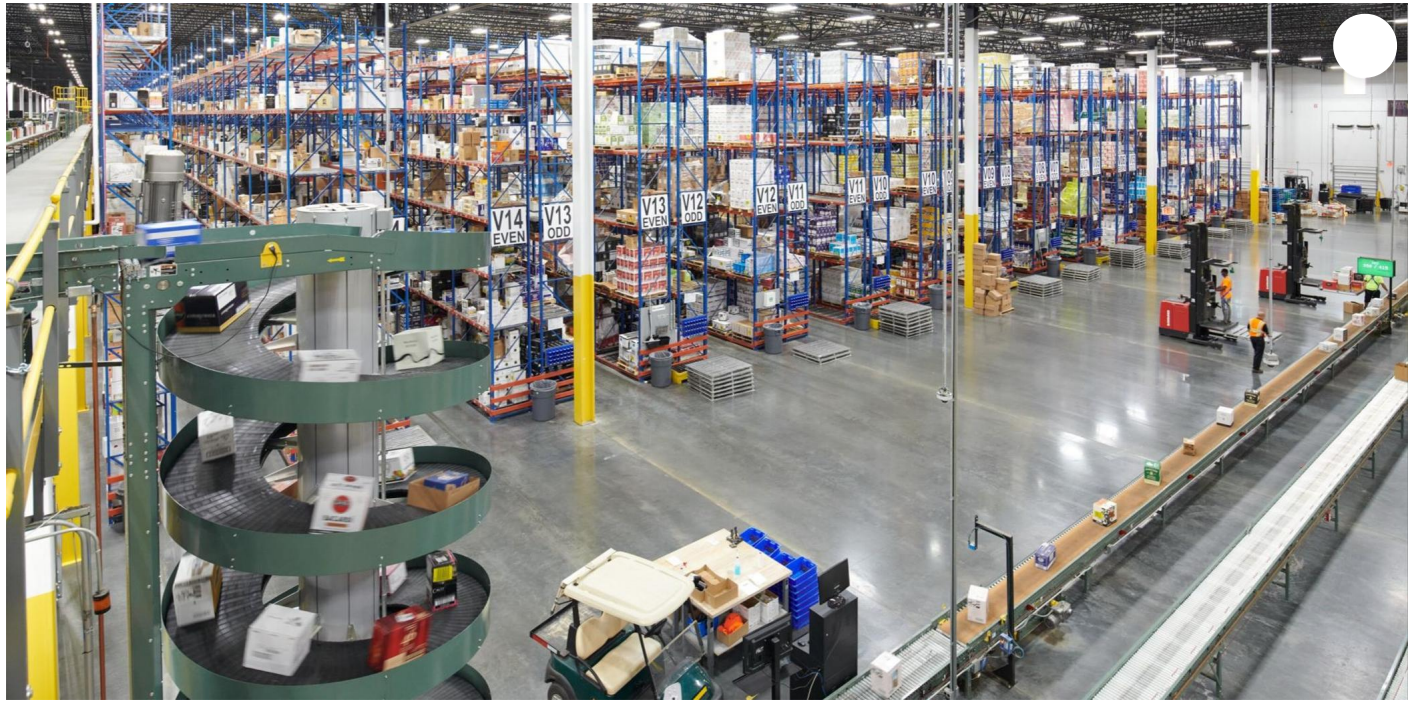


World's Biggest Warehouse Developer Looks To Expand Beyond Commercial Real Estate

Prologis Invests in Clean Energy, AI in Bid To Become One-Stop Logistics Services Provider



Solar panels provide power for operations at such Prologis properties as Elizabeth Seaport in Elizabeth, New Jersey. (CoStar)

By [Randy Drummer](#)
CoStar News

September 27, 2023 | 11:40 P.M.

Prologis CEO Hamid Moghadam expects 2024 to be a “really good year” as the world’s biggest industrial real estate developer raises warehouse rents and reinvests profits to position itself as a one-stop provider of logistics support for major retailers and other businesses.

Average rents in Prologis' 1 billion-square-foot portfolio are substantially below the U.S. market average, giving the company a chance next year to sign new leases or renewals at higher rates that could fuel at least a decade of revenue and earnings growth, Moghadam

said Wednesday during the company's annual Groundbreakers event, focused on innovation, in its hometown of San Francisco.

[Prologis](#) this year has overcome signs that once-record global warehouse demand is slowing, raising its outlook in July and [doubling its profit and sales](#) at midyear. The company is investing in solar energy and zero-emission electric truck charging stations, autonomous mobile robots and artificial intelligence-guided warehouse management tools as it looks to expand beyond its traditional role as a real estate landlord, Moghadam said.

“We're going to be known as more of a logistics solution provider than just a real estate company,” Moghadam said during a joint appearance with Ted Decker, CEO of home improvement chain The Home Depot. “Real estate is the foundation and the bedrock of our business but I think with all of these additional things, we're going to meet more and more needs of our customers so they don't have to go anywhere else.”

RELATED CONTENT

[Prologis CEO Hamid Moghadam: Don't Get 'Run Over' by the AI Train >>](#)

For example, Prologis Ventures, the warehouse giant's investment arm, last year co-led a \$20 million Series A round of funding in a Dallas-based proptech company that created a real estate feasibility analysis platform. TestFit announced on Wednesday that Prologis is using the firm's AI software to help identify new warehouse sites.

Atlanta-based Home Depot, which occupied 15 million square feet as Prologis' second-biggest tenant after Amazon at the beginning of this year, is hiring data scientists and using AI tools for marketing, customer service inventory management and other functions, Decker said during the presentation.

Other real estate companies, from the [largest global brokerages](#) such as CBRE, JLL and Cushman & Wakefield that are adding management services, to businesses such as Dallas-based Crow Holdings, which recently launched businesses to tap the unused potential of warehouse roofs by adding solar panels and to [purchase small-format shopping centers](#), are also looking to diversify their revenue streams in a high-interest-rate economy.

Collaboration Among Companies

FedEx, UPS and Walmart are also among the San Francisco-based company's top 10 tenants, Moghadam said.

“Our companies touch one another at many different levels, and increasingly, it's no longer just at the real estate level,” Moghadam said. “We're now collaborating with these customers on the innovation level [and] on the venture level, and we're learning a lot of things about AI and how we can help them with that.”

The dramatic increase in e-commerce, which Prologis said requires three times more logistics space than physical stores, has fueled rising demand for the company's warehouses for more than a decade.

A new Prologis analysis of the supply chains of 25 large U.S. retailers showed that the logistics real estate square footage required to support \$1 billion in retail sales has increased by 57% to 800,000 square feet, up from 500,000 square feet 10 years ago.

Retailers will need to keep increasing their occupancy of logistics real estate to keep up with the competition, according to the analysis.

“About 3% of global [gross domestic product] goes through our buildings around the world, so it would be pretty hard for somebody of any stature not to be our customer,” Moghadam said.

Follow us on Social Media

Have feedback or questions? Email us at news@costar.com