



Prologis a Favored REIT with Bullish Activity

Ticker/Price: PLD (\$87.75)

Analysis:

Prologis (PLD) with 4,100 July \$75 puts sold to open yesterday for \$2.25 and name with 1,000 May \$80 short puts in OI as well as 1200 May \$90 calls. PLD also has bullish open interest in the August \$100 calls from January. Shares are flagging just below the February highs after a big rebound and a move above \$92.50 sets up for a run to \$100+. Longer-term, PLD is one of the steadiest names in the space with a big breakout in early 2019 above the 2006 highs that measures to \$125. The \$66B REIT trades 24X FFO and 2.44X book with a 2.65% yield. They have a strong balance sheet with \$4.8B in liquidity, minimal near-term maturities, and a 4X Debt/EBITDA. They have little concern around cash flows with 95%+ of rents paid on time in April. PLD focuses on real estate for logistics, a huge area of growth given the shift towards faster shipping options and e-commerce fulfillment. The group has seen rental rates surge within locations tied to more urban city centers and high-barrier markets where PLD is a leader (17% city vs 6% peers). PLD sees coronavirus driving higher inventories in both the near-term and intermediate-term as more lessors seek space due to creditor liquidations and other build-ups. CEO Hamid Moghadam said on their earnings calls that he expects inventories up 5% to 10% after COVID-19 with growth set to double in the next four to five years. Analysts have an average target for shares of \$94.50. Deutsche Bank with a \$90 PT while MSCO positive mid-April citing balance sheet, liquidity strength, and the view that growth in e-commerce volumes resulting from COVID-19 restrictions is likely to be more beneficial to the Industrial REITs running warehouses than parcel delivery companies. Short interest is 1%. Hedge fund ownership rose 3.5% in Q4.

Hawk Vision:



Hawk's Perspective: PLD has always screened favorably to peers and like its positioning in logistics/warehouses, a top name to own.

Confidence Ranking: \$\$