

SCOTT H. ALEXANDER
FIRST VICE PRESIDENT



The State of Industrial Real Estate and ProLogis: Gaining Momentum for the Road Ahead

January 27, 2010



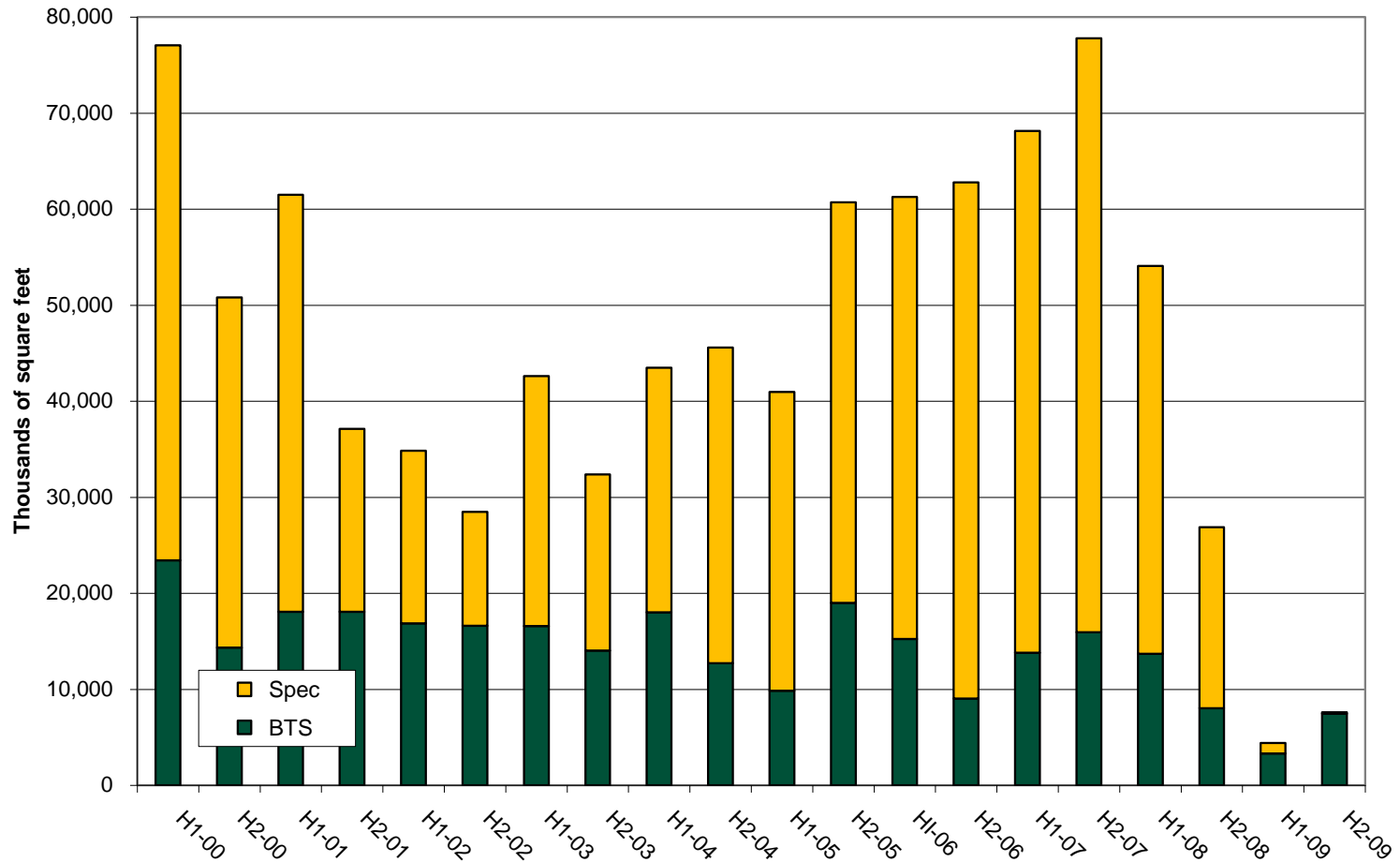
North American Industrial Real Estate Market Remains Challenging

- Vacancy rate for the top 31 markets rose to 10.3% in Q3
 - 10% in Q2
 - 7% in Q4 of 2008
- Net absorption in the top 31 markets was -34 million square feet in Q3
 - -32.3 msf in Q2
 - -22.6 msf Q1
- Net absorption for 2009 will be negative for the first time in 25 years
- Speculative development has practically ground to a halt; new starts in Q3 amount to 4.1 msf, almost all BTS
- The North American real estate market seems to have bottomed out



New Starts – Arrested Development

**Newly Started Bulk Warehouses and Distribution Centers
in the Nation's Top 30 Markets**



P: projection.

Source: ProLogis.

...But There's Light at the End of the Tunnel



- Real GDP edged down .7% during Q2
 - -6.4% in Q1
 - -5.4% in Q4 of 2008
- Most economists believe recession ended in Q2
- Forecasts call for modest increase in GDP for Q3, marking the end to the deepest and longest postwar recession
- Analysts are anticipating the recovery will be subdued, reflecting lingering effects of global credit crisis
- Customers ProLogis polled indicate slight optimism toward growth in addition to network consolidations for cost containment

A Global Leader in Distribution Facilities



ASIA

- 10.7 msf
- 2 countries

NORTH AMERICA

- 344.2 msf
- 3 countries

EUROPE

- 124.9 msf
- 13 countries

*ProLogis associates
around the globe*

*serve 4,500+ customers
in 18 countries*

- The global market beginning to show signs of stability
- Growth and expansion may come sooner than we originally thought
- Industrial demand still soft, but signs of increased customer activity
- Recent top customer poll: good news for industrial real estate
 - Two-thirds expect a more positive outlook on their business by sometime in 2010
 - Several mentioned supply chain reconfiguration, for expansion or greater efficiency
- Occupancy declines slowing globally, but still virtually no new development starts in planning
- More buyers than sellers in the market right now
- Market rents still lower than a year ago



What Is the Road Ahead?

- Continued focus on customer service supporting strong retention and new customer transactions – meeting the market
- Recapitalization is behind us now
- Shifting our focus to positioning for long-term growth
- Cautiously optimistic about market fundamentals overall



Benefits of Working with ProLogis



- Relationship oriented
- Customer service driven
- Global platform
- Local presence
- Sustainable leadership